

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement CONFIDENTIAL, FOR USE OF THE
COMMISSION ONLY (AS PERMITTED BY
RULE 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to (S)240.14a-11(c) or (S)240.14a-12

PARAMETRIC TECHNOLOGY CORPORATION

(Name of Registrant as Specified In Its Charter)

PARAMETRIC TECHNOLOGY CORPORATION

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2).
- \$500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(i)(3).
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

PARAMETRIC TECHNOLOGY CORPORATION

128 TECHNOLOGY DRIVE
WALTHAM, MA 02154

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON FEBRUARY 8, 1996

The Annual Meeting of Stockholders of Parametric Technology Corporation, a Massachusetts corporation (the "Company"), will be held at the offices of the Company, 128 Technology Drive, Waltham, MA 02154 on Thursday, February 8, 1996 at 9:00 a.m., local time, to consider and act upon the following matters:

1. To elect two Class III directors to serve for the ensuing three years.
2. To approve an amendment to the Company's Articles of Organization to increase the number of authorized shares of the Company's common stock from 75,000,000 to 215,000,000.
3. To approve amendments to the Company's 1987 Incentive Stock Option Plan (the "Stock Option Plan") to increase the number of shares of the Company's common stock authorized for issuance under the Stock Option Plan by 3,000,000 shares, and to change the designation of persons eligible to receive options under the Stock Option Plan to include consultants.
4. To approve the Company's 1996 Director Stock Option Plan (the "1996 Director Plan").
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on December 15, 1995 will be entitled to vote at the meeting or any adjournment thereof. The stock transfer books of the Company will remain open.

By Order of the Board of Directors,

MARTHA L. DURCAN, Clerk

Waltham, Massachusetts
December 29, 1995

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.

PARAMETRIC TECHNOLOGY CORPORATION

128 TECHNOLOGY DRIVE
WALTHAM, MA 02154

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON FEBRUARY 8, 1996

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Parametric Technology Corporation, a Massachusetts corporation (the "Company"), for use at the Annual Meeting of Stockholders to be held on February 8, 1996 and at any adjournment of that meeting (the "Annual Meeting"). All proxies will be voted in accordance with the stockholders' instructions contained therein. If no choice is specified, proxies will be voted in favor of the matters set forth in the accompanying Notice of Annual Meeting. Any proxy may be revoked by a stockholder at any time before its exercise by delivery of a written revocation or subsequently dated proxy to the Clerk of the Company or by voting in person at the Annual Meeting.

On December 15, 1995, the record date for the determination of stockholders entitled to vote at the Annual Meeting, there were outstanding and entitled to vote an aggregate of 63,198,880 shares of common stock of the Company (the "Common Stock"). Stockholders are entitled to one vote per share

on all matters.

The Company's Annual Report for the fiscal year ended September 30, 1995 is being mailed to stockholders with the mailing of this Notice and Proxy Statement on or about December 29, 1995.

VOTES REQUIRED

The affirmative vote of the holders of a plurality of the shares of Common Stock represented and voting at the Annual Meeting is required for the election of directors. The affirmative vote of the holders of a majority of the shares of Common Stock outstanding and entitled to vote as of the record date is required for the approval of an amendment to the Company's Articles of Organization to increase the number of authorized shares of the Company's Common Stock. The affirmative vote of the holders of a majority of the shares of Common Stock represented and entitled to vote at the Annual Meeting is required (i) for the approval of an increase in the number of shares of Common Stock authorized for issuance under the Company's 1987 Incentive Stock Option Plan (the "Stock Option Plan"), and to change the designation of persons eligible to receive options under the Stock Option Plan to include consultants, and (ii) for the approval of the Company's 1996 Director Stock Option Plan (the "1996 Director Plan").

Shares of Common Stock represented in person or by proxy at the Annual Meeting (including shares which abstain from or do not vote with respect to one or more of the matters presented at the Annual Meeting and broker non-votes, as described below) will be tabulated by the inspectors of election appointed for the Annual Meeting and will determine whether or not a quorum is present. The inspectors of election will treat abstentions as shares that are present and entitled to vote for purposes of determining the number of shares that are present and entitled to vote with respect to any particular matter, but will not count abstentions as a vote in favor of such matter. Accordingly, an abstention from voting on a matter by a stockholder present in person or represented by proxy at the Annual Meeting with respect to any matter requiring a majority of the shares represented and entitled to vote has the same legal effect as a vote "against" the matter even though the stockholder or interested parties analyzing the results of the voting may interpret such vote differently. If a broker holding stock in "street name" indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote at the Annual Meeting with respect to the matter. Accordingly, a "broker non-vote" on a matter has no effect on the voting on that matter. Neither an abstention nor a broker non-vote will be treated as voting on a matter requiring a plurality of the shares represented and voting. Since the increase in the number of authorized shares of Common Stock requires the affirmative vote of a majority of the shares of Common Stock outstanding and entitled to vote, any shares not voted in favor of the action, including abstentions and broker non-votes, will have the same effect as a vote "against" the matter.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information, as of October 31, 1995, with respect to the beneficial ownership of the Company's Common Stock by (i) each person known by the Company to own beneficially more than 5% of the outstanding shares of Common Stock based upon information provided to the Company; (ii) each director and nominee for director; (iii) each executive officer named in the Summary Compensation Table; and (iv) all directors and executive officers of the Company as a group.

	Number of Shares Beneficially Owned/(1) (2)/	Percentage of Common Stock Outstanding/(3)/
	-----	-----
FMR Corp./ (4) / 82 Devonshire Street Boston, MA 02109-3614	7,237,380	11.49%
Amerindo Investment Advisors Inc./ (5) /	6,440,296	10.22%

One Embarcadero Center, Suite 2300
San Francisco, CA 94111

American Express Financial Advisors Inc. / (6) / IDS Tower 10 Minneapolis, MN 55440	4,294,000	6.82%
Robert N. Goldman	10,000	*
Donald K. Grierson	0	*
Oscar B. Marx, III / (7) /	500	*
Michael E. Porter	3,100	*
Noel G. Posternak	50,000	*
Steven C. Walske	664,000	1.05%
C. Richard Harrison / (8) /	292,922	*
Michael E. McGuinness / (8) /	73,900	*
Martha L. Durcan / (8) /	5,704	*
James F. Kelliher / (8) /	10,436	*
Mark J. Gallagher / (8) /	78,740	*
All directors, nominees for director and executive officers as a group (15 persons)	1,419,192	2.24%

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* Less than 1% of outstanding shares of Common Stock.

/(1)/ The inclusion herein of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. Unless otherwise indicated, each stockholder referred to above has sole voting and investment power with respect to the shares listed.

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/(2)/ The amounts listed include the following shares of Common Stock that may be acquired on or prior to December 30, 1995 through the exercise of options: Mr. Goldman, 10,000 shares; Mr. Posternak, 30,000 shares; Mr. Walske, 85,000 shares; Mr. Harrison, 210,000 shares; Mr. McGuinness, 73,500 shares; Ms. Durcan, 5,250 shares; Mr. Kelliher, 10,000 shares; and all directors and executive officers as a group, 460,155 shares.

/(3)/ For purposes of determining the percentage of Common Stock outstanding, the number of shares deemed outstanding is 62,997,238 shares outstanding as of October 31, 1995 and any shares subject to options held by the person or entity in question that are exercisable on or prior to December 30, 1995.

/(4)/ Information provided in a Schedule 13G filed with the Company on May 8, 1995. Investor has sole voting power with respect to 189,600 shares and shared voting power with respect to 0 shares. FMR Corp. disclaims beneficial ownership of 72,000 of such shares held by Fidelity International Limited ("FIL"). Prior to June 30, 1980, FIL was a majority-owned subsidiary of Fidelity Management & Research Company ("Fidelity"), a wholly-owned subsidiary of FMR Corp. On that date, the shares of FIL held by Fidelity were distributed, as a dividend, to the shareholders of FMR Corp. FIL currently operates as an entity independent of FMR Corp. and Fidelity.

/(5)/ Information provided in a Schedule 13G filed with the Company on September 7, 1995.

/(6)/ Information provided in a Schedule 13G filed with the Company on February 13, 1995. Investor has sole voting power with respect to 0 shares and shared voting power with respect to 952,800 shares. Investor has shared investment power with respect to 4,294,000 shares.

/(7)/ The amount listed is held by the O.B. Marx, III Revocable Trust.

/(8)/ The amounts listed include the following shares of Common Stock owned by the named person jointly with his or her spouse: Mr. Harrison, 82,922 shares; Mr. McGuinness, 294 shares; Ms. Durcan, 454 shares; Mr. Kelliher, 436 shares; and Mr. Gallagher, 18,944 shares.

ELECTION OF DIRECTORS

The Company's Board of Directors is divided into three classes, with members of each class holding office for staggered three-year terms. There are currently three Class I directors, two Class II directors and two Class III directors, whose terms expire, respectively, at the 1997, 1998 and 1996 Annual Meetings of Stockholders (in all cases subject to the election and qualification of their successors and to their earlier death, resignation or removal). At each Annual Meeting of Stockholders, directors are elected for a term of three years to succeed those directors whose terms then expire. The two Class III directors elected at the Annual Meeting will be elected to serve until the 1999 Annual Meeting of Stockholders (subject to the election and qualification of their successors and to their earlier death, resignation or removal).

The persons named in the enclosed proxy will vote to elect C. Richard Harrison and Robert N. Goldman as Class III directors, unless authority to vote for the election of either or both of the nominees is withheld by marking the proxy to that effect. Each of the nominees is currently a Class III director of the Company.

Each of the nominees has indicated his willingness to serve, if elected; however, if either nominee should be unable or unwilling to stand for election, proxies may be voted for a substitute nominee designated by the Board of Directors.

The table on the following page sets forth, for each nominee as a Class III director and for each director of the Company whose term continues after the Annual Meeting, his name and age, his positions and offices with the Company, his principal occupations and business experience for the past five years, the names of other publicly-held companies of which he is a director, the year since which he has served as a director of the Company, if applicable, and the year his term as a director of the Company will expire.

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Name, Age, Principal Occupation, Business Experience and Directorships	Director Since	Term Expires

NOMINEES FOR CLASS III DIRECTORS:		
C. Richard Harrison, age 40 President and Chief Operating Officer of the Company since August 1994; Senior Vice President of Sales and Distribution of the Company from September 1991 to August 1994; Vice President of Sales and Distribution of the Company from May 1987 to September 1991.	1994	1999
Robert N. Goldman, age 46 President and Chief Executive Officer of Object Design Inc., a software developer since November, 1995; Chairman of the Board of Trinzic Corp., a software developer, from June 1986 to August 1995; Chief Executive Officer of Trinzic Corp. from June 1986 to October 1992; President of Trinzic Corp. from June 1986 to January 1991; director of Intersolv, Inc. and SystemSoft Corporation.	1991	1999
CONTINUING DIRECTORS:		
CLASS I DIRECTORS		
Donald K. Grierson, age 61 President and Chief Executive Officer of ABB Vetco Gray, Inc., an oil services business, since May 1991; Chairman of the Board of ABB Vetco Gray, Inc. from November 1990 to May 1991; private investor and business consultant from December 1985 to November 1990; director of Alpha Technology, Inc.	1987	1997
Oscar B. Marx, III, age 56 / (1)/ President and Chief Executive Officer of TMW Enterprises, a start-up venture in the autoparts industry, since July 1995; President and Chief Executive Officer of Electro - Wire Products, Inc., an electrical distribution company, from June 1994 to July 1995; Vice President - Automotive Components Group of Ford Motor Company from January 1988 to June 1994.	1995	1997
Noel G. Posternak, age 59 Senior Partner in the law firm of Posternak, Blankstein & Lund	1989	1997

since 1980.

CLASS II DIRECTORS

Michael E. Porter, age 48 Professor at Harvard Business School since 1973; director of Thermo Quest Corporation and Alpha Beta Technologies, Inc.	1995	1998
Steven C. Walske, age 43 Chairman of the Board of Directors of the Company since August 1994; Chief Executive Officer of the Company since December 1986; President of the Company from December 1986 to August 1994; director of Synopsys, Inc., Video Server, Inc. and Logic Works, Inc.	1986	1998

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/ (1) / On September 15, 1995, the Board of Directors increased the number of directors of the Company from six to seven and elected Mr. Marx as a Class I director of the Company to serve until the 1997 Annual Meeting.

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BOARD AND COMMITTEE MEETINGS

The Board of Directors held six meetings during the fiscal year ended September 30, 1995. Each director attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and of other meetings held by all committees of the Board of Directors on which he then served.

The Board of Directors has an Audit Committee which meets with the Company's independent accountants and reports on such meetings to the Company's Board of Directors. The Audit Committee reviews the performance of the independent accountants in the annual audit and in assignments unrelated to the audit, reviews fees of the independent accountants, discusses the Company's internal accounting control policies and procedures and considers and recommends the selection of the Company's independent accountants. The Audit Committee met four times during the fiscal year ended September 30, 1995. The fiscal 1995 Audit Committee members were Messrs. Goldman, Porter and Posternak (Chairman). The current members of the Audit Committee are Messrs. Goldman, Marx and Porter (Chairman).

The Board of Directors has a Compensation Committee which provides recommendations to the Board of Directors regarding executive and employee compensation and administers the Company's bonus programs, the Stock Option Plan and the Company's 1991 Employee Stock Purchase Plan (the "Purchase Plan"). The Compensation Committee met twice during the fiscal year ended September 30, 1995. The fiscal 1995 Compensation Committee members were Messrs. Goldman (Chairman) and Porter. Messrs. Goldman (Chairman) and Porter also constitute the Officers' Stock Option Committee, which grants stock options under the Company's Stock Option Plan to employee directors and officers subject to Section 16 (collectively "Section 16 Officers") of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Officers' Stock Option Committee met four times during the fiscal year ended September 30, 1995. As of November 17, 1995, Mr. Posternak replaced Mr. Porter on both committees.

DIRECTOR COMPENSATION

During the fiscal year ended September 30, 1995, directors who were not employees of the Company received the following directors' fees in consideration of their services as directors of the Company: an annual retainer in the amount of \$10,000 and \$2,000 per Board of Directors meeting whether attended in person or by telephone conference, as well as reimbursement of travel expenses. Additionally, members of the Audit Committee of the Board of Directors received a fee of \$1,000 per meeting of the Audit Committee whether attended in person or by telephone conference. Effective fiscal year 1996, members of the Compensation Committee of the Board of Directors will also receive a fee of \$1,000 per meeting of the Compensation Committee whether attended in person or by telephone conference. Directors who are also employees of the Company do not receive any compensation for their services as directors of the Company.

On February 4, 1992, the stockholders approved the 1992 Director Stock Option Plan of the Company (the "1992 Director Plan"), which authorizes the granting of non-qualified stock options for the purchase of a maximum of 320,000 shares (subject to future adjustment for stock splits and similar capital changes) of Common Stock to non-employee directors of the Company. Options to purchase an aggregate of 40,000 shares of Common Stock were automatically granted to each of Messrs. Goldman, Grierson and Posternak on February 4, 1992.

In addition, any new director elected to the Board of Directors on or before the date of the 1996 Annual Meeting of Stockholders who is an eligible director shall automatically be granted, on the effective date of such election, options to purchase an aggregate of 40,000 shares of Common Stock. Accordingly, options to purchase 40,000 shares of Common Stock were automatically granted to Messrs. Porter (Class II director) and Marx (Class I director) upon their election as directors of the Company on February 9, 1995 and September 15, 1995, respectively. Options granted under the 1992 Director Plan shall become exercisable in four equal annual installments commencing one year following the date of grant if and only if the optionee is a director of the Company on such anniversary date. The options have a term of ten years and an exercise price equal to the last sale price of the Common Stock as reported by the Nasdaq Stock Market's National Market (the "Nasdaq Stock Market") on the date of grant. The option exercise price is payable in cash or in shares of Common Stock having an aggregate fair market value, at the time of such payment, equal to the total option price for the number of shares of Common Stock for which payment is then being made, or a combination thereof. As of September 30, 1995, options granted under the 1992 Director Plan were outstanding for the purchase of 70,000, 40,000 and 40,000 shares of Common Stock at exercise prices of \$17.5625, \$37.250 and \$60.25, respectively. Unless amended, no options will be granted under the 1992 Director Plan after the date of the 1996 Annual Meeting of Stockholders.

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COMPENSATION OF EXECUTIVE OFFICERS

The following table provides certain information for the fiscal years ended September 30, 1995, 1994 and 1993 concerning compensation paid to or accrued for (i) the Company's Chief Executive Officer, (ii) the other four most highly compensated executive officers who were serving as executive officers of the Company on September 30, 1995 and whose salary and bonus for fiscal year 1995 exceeded \$100,000, and (iii) one additional individual who ceased serving as an executive officer prior to September 30, 1995.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation \$(3) /
		Salary \$(1) /	Bonus \$(2) /	Awards	
				Shares Underlying Options (#)	
Steven C. Walske	1995	300,000	500,000	300,000	4,620
Chairman of the Board of Directors and Chief Executive Officer	1994	300,000	426,400	100,000	4,620
	1993	250,000	400,000	200,000	4,497
C. Richard Harrison	1995	250,000	500,000	300,000	3,968
President and Chief Operating Officer	1994	60,000	497,165	200,000	3,000
	1993	60,000	651,683	80,000	3,000
Michael E. McGuinness	1995	60,000	498,362	75,000	6,590
Senior Vice President of Sales and Distribution	1994	50,000	130,343	50,000	6,100
	1993	50,000	290,912	0	6,100
Martha L. Durcan	1995	90,000	33,000	5,000	3,876
Vice President of Administration, Corporate Counsel and Clerk	1994	76,731	9,900	18,000	3,731
	1993	70,502	0	3,000	404
James F. Kelliher	1995	93,865	30,000	11,000	3,699
Vice President of Finance and Assistant Treasurer	1994	122,923	0	5,000	3,746
	1993	84,500	3,000	9,000	3,325
Mark J. Gallagher (4) /	1995	175,000	130,000	0	4,620
Former Senior Vice President of Finance and Administration, Chief Financial Officer and Treasurer (resigned June 30, 1995)	1994	155,000	74,100	130,000	4,620
	1993	140,000	70,000	60,000	4,497

(1) Salary includes amounts deferred pursuant to the Parametric Technology Corporation 401(k) Savings Plan.

(2) Amounts shown, except for those discussed below relating to Messrs. Harrison and McGuinness, are the awards made under the Company's incentive plans, which amounts are earned and accrued during the fiscal years indicated and paid subsequent to the end of each fiscal year. Amounts shown for Mr. McGuinness are comprised of sales commissions based on revenue. Amounts shown for Mr. Harrison for fiscal years 1994 and 1993 are comprised of sales commissions based on revenue and a cash bonus for meeting his stretch goal in fiscal year 1993. Mr. McGuinness, in fiscal

years 1995, 1994 and 1993, and Mr. Harrison, in fiscal years 1994 and 1993, were not entitled to receive awards under the Company's incentive plans.

/(3)/ Amounts shown are the Company's matching contributions made under the Parametric Technology Corporation 401(k) Savings Plan, except that the figures shown for Mr. McGuinness also include \$3,600 for his automobile allowance.

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STOCK OPTION GRANTS IN FISCAL YEAR 1995

The following table provides information regarding options granted under the Company's Stock Option Plan during the fiscal year ended September 30, 1995 to the executive officers named in the Summary Compensation Table.

Name	Individual Grants			Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term/(3)/		
	Number of Shares Underlying Options Granted (#)/(1)/	Percentage of Total Options Granted to Employees in Fiscal Year (%) / (2) /	Exercise Price Per Share (\$)	Expiration Date	5% (\$)/(4)/	10% (\$)/(4)/
Steven C. Walske	300,000	9.7500%	43.625	5/10/05	8,230,658	20,858,104
C. Richard Harrison	300,000	9.7500%	43.625	5/10/05	8,230,658	20,858,104
Michael E. McGuinness	30,000 10,000 35,000 ----- 75,000		37.250 43.625 60.250	2/09/05 5/10/05 9/15/05		
		2.4374%			2,303,327	5,837,082
Martha L. Durcan	5,000	0.1625%	43.625	5/10/05	137,178	347,635
James F. Kelliher	3,000 8,000 ----- 11,000		34.750 37.250	11/17/04 2/09/05		
		0.3575%			252,973	641,083
Mark J. Gallagher	0					

/(1)/ All options granted to the named executive officers are exercisable in four equal annual installments, commencing one year after the date of grant. The Stock Option Plan provides that the exercise price of each option must be at least 100% of the fair market value of the Company's Common Stock on the date the option is granted. The exercise price may be paid in cash or, subject to certain limitations for shares previously acquired upon exercise of options, in shares of Common Stock, or in a combination of cash and shares. Pursuant to employment agreements, the options held by Mr. Walske and Mr. Harrison become exercisable (i) in full upon a "change in control" of the Company (as described under the section entitled "Employment Agreements") or upon the individual's death or disability, and (ii) for the number of shares for which they would have been exercisable had the optionee's employment continued for an additional year after the termination of the optionee's employment without "cause" or after a "change in status".

/(2)/ During the fiscal year ended September 30, 1995, the Company granted options under the Stock Option Plan to its employees to purchase a total of 3,077,050 shares of Common Stock and cancelled options to purchase 289,525 shares of Common Stock.

/(3)/ The dollar amounts under these columns are the result of calculations at the 5% and 10% appreciation rates set by the Securities and Exchange Commission and, therefore, are not intended to forecast possible future appreciation, if any, in the price of the Common Stock. No gain to the optionees is possible without an increase in the price of the Common Stock, which will benefit all stockholders proportionately.

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/(4)/ In order to realize the potential values over the option term set forth in the 5% and 10% columns of this table, the per share price of the Common Stock would be as follows:

Date of Grant	Exercise Price per Share	Prices at:		Percentage Increases at:	
		5%	10%	5%	10%
11/17/94	\$34.750	\$56.60	\$ 90.13	63%	159%
2/09/95	\$37.250	\$60.68	\$ 96.62	63%	159%
5/10/95	\$43.625	\$71.06	\$113.15	63%	159%
9/15/95	\$60.250	\$98.14	\$156.27	63%	159%

AGGREGATED OPTION EXERCISES IN FISCAL YEAR 1995 AND FY-END OPTION VALUES

The following table sets forth information regarding stock options exercised by the named executive officers during fiscal 1995 and the value of in-the-money unexercised options held by them as of September 30, 1995.

Name	Shares Acquired on Exercise	Value Realized (\$)/(1)/	Number of Shares Underlying Unexercised Options at FY-End (#)		Value of Unexercised In-the-Money Options at FY-End(\$)/(2)/	
			Exercisable/Unexercisable	Exercisable/Unexercisable		
Steven C. Walske	225,000	5,390,125	215,000/ 525,000	11,684,375/ 12,890,625		
C. Richard Harrison	20,000	617,067	220,000/ 490,000	10,387,183/ 11,656,250		
Michael E. McGuinness	13,000	394,313	68,500/ 122,500	3,121,031/ 2,503,594		
Martha L. Durcan	4,000	79,063	4,500/ 21,000	146,563/ 603,313		
James F. Kelliher	1,000	34,188	7,250/ 21,750	249,563/ 647,063		
Mark J. Gallagher	64,150	2,209,775	80,850/ 142,500	2,920,931/ 4,780,313		

(1) Market value of the underlying shares on the date of exercise less the option exercise price.

(2) Market value of shares covered by in-the-money options on September 30, 1995, less the option exercise price. Options are in-the-money if the market value of the shares covered thereby is greater than the option exercise price.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Board of Directors is composed of two outside directors. The two outside directors also serve as the Officers' Stock Option Committee to grant stock options to Section 16 Officers. The compensation for the Company's executive officers is set by the Board of Directors, after consideration of the Compensation Committee's recommendations.

Compensation Objectives

The basic philosophy underlying the Company's compensation programs is to align executive compensation with increases in stockholder value. Several key objectives are reflected within this basic philosophy, one of which is to enable the Company to attain its annual market penetration and financial targets. Another key objective is to ensure that a major portion of each executive's cash compensation is linked to significant improvements in the Company's financial performance. The third key objective is to make it possible for the Company to attract, retain and reward executives who are responsible for leading the Company in achieving or exceeding corporate performance goals.

Executive Compensation Programs

The Company's executive compensation programs, which contain no special perquisites, consist of three principle elements: base salary, cash bonus and stock options. The Company's objective is to emphasize incentive compensation in the form of bonuses and stock option grants, rather than base salary. The Board of Directors sets the annual base salary for executives, after consideration of the recommendations of the Compensation Committee. Prior to making its recommendations, the Compensation Committee reviews historical compensation levels of the executives, evaluations of past performance and assessments of expected future contributions of the executives. In making the determinations regarding base salaries, the Company considers generally available information regarding salaries prevailing in the industry but does not utilize any particular indices.

The Company maintains incentive plans (the "IPs") under which executive officers (including the Chief Executive Officer), other than those participating in sales activities, are paid cash bonuses subsequent to the end of each fiscal year. Executive officers who do not participate in the IPs are paid a commission based on revenue and receive a special cash bonus if they meet their respective stretch goals. The bonuses under the IPs are dependent primarily on the Company's financial performance and achievement of corporate objectives established by the Board of Directors prior to the start of each fiscal year.

The IPs for fiscal 1995 set forth three performance factors consisting of earnings per share, revenue and the number of software seats licensed for two of the participating officers (including the Chief Executive Officer). For the remaining two participating officers, the IPs for fiscal 1995 set forth two performance factors consisting of earnings per share and individual performance goals. Three different target levels were established for each performance factor and a gross target bonus corresponding to each of the three target levels was set. A weight was then assigned to each of the performance factors and the actual bonus earned was calculated using a formula which weighed the three performance factors. If the Company failed to meet the minimum profitability target for fiscal 1995, the executives would not have been eligible to receive a cash bonus. The various elements of the bonus calculation formula were set by the Board of Directors, after consideration of the Compensation Committee's recommendation.

Total compensation for executive officers also includes long-term incentives offered by stock options, which are generally provided through initial stock option grants at the date of hire and periodic additional stock option grants. Stock options are instrumental in promoting the alignment of long-term interests between the Company's executive officers and stockholders due to the fact that executives realize gains only if the stock price increases over the fair market value at the date of grant and the executives exercise their options. In determining the amount of such grants, the Officers' Stock Option Committee evaluates the job level of the executive, responsibilities to be assumed in the upcoming fiscal year, responsibilities of each executive in prior years and the size of awards made to each such officer in prior years relative to the Company's overall performance. It has been the Company's practice to fix the exercise price of options, which generally become exercisable in equal annual installments over a period of four years commencing one year after the date of grant, at 100% of

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the fair market value on the date of grant. Therefore, the long-term value realized by executives through option exercises can be directly linked to the enhancement of stockholder value.

Chief Executive Officer Compensation

The Chief Executive Officer's performance was evaluated, and his compensation determined, in accordance with the factors described above applicable to executive officers generally. For the fiscal year ended September 30, 1995, the Chief Executive Officer earned a cash bonus of \$500,000, which represented 63% of his total cash compensation (base salary plus cash bonus) and a 17% increase over the cash bonus earned in fiscal 1994. This amount reflects the increases in earnings per share of 40.4% (excluding non-recurring charges), revenue of 47.7%, and the number of software seats licensed of 34.7% over the prior year.

During the fiscal year ended September 30, 1995, the Officers' Stock Option Committee granted to the Chief Executive Officer an option to purchase 300,000 shares of the Company's Common Stock. The amount of the grant reflects the senior position held by the Chief Executive Officer within the Company, the significant contributions made by the Chief Executive Officer to the Company in fiscal 1995 and those anticipated to be made by him in the future, and the strong results achieved by the Company during a period in which the senior management team was re-engineered and the Company made its first acquisitions.

Compensation Deductibility

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), imposes a limit on tax deductions for annual compensation in excess of one million dollars paid by a corporation to its chief executive officer and the other four most highly compensated executive officers of a corporation. This provision excludes certain forms of "performance based compensation" from the compensation taken into account for the purposes of that limit. The Company's Stock Option Plan was amended in November 1994 to limit the number of options which may be granted to any single individual under the Stock Option Plan in order to qualify for the exclusion on deductibility. Accordingly, none of the compensation paid by the Company in fiscal 1995 was subject to the limitation on deductibility. The Compensation Committee will continue to assess the impact of Section 162(m) of the Code on its compensation practices and determine what further action, if any, is appropriate.

Compensation Committee

Robert N. Goldman, Chairman
Michael E. Porter

STOCK PERFORMANCE GRAPH

The Stock Performance Graph set forth below compares the cumulative stockholder return on the Common Stock of the Company from September 28, 1990 to September 29, 1995, with the cumulative total return of the Nasdaq (U.S. Companies) Index and the Nasdaq Computer & Data Processing Index over the same period. The Stock Performance Graph assumes that the value of the investment in the Company's Common Stock and each of the comparison groups was \$100 on September 28, 1990 and assumes the reinvestment of dividends. The Company has never declared a dividend on the Common Stock of the Company. The stock price performance depicted in the graph below is not necessarily indicative of future price performance.

COMPARISON OF CUMULATIVE TOTAL RETURN AMONG PARAMETRIC TECHNOLOGY CORPORATION, NASDAQ (U.S. COMPANIES) INDEX AND NASDAQ COMPUTER AND DATA PROCESSING INDEX

[GRAPH APPEARS HERE]

PTC: Parametric Technology Corporation
Nasdaq: Nasdaq (U.S. Companies) Index
NC&D: Nasdaq Computer & Data Processing Index

	9/28/90	9/30/91	9/30/92	9/30/93	9/30/94	9/29/95
	-----	-----	-----	-----	-----	-----
Parametric Technology Corporation	\$ 100	\$ 255	\$ 729	\$ 1,262	\$ 1,036	\$ 1,917
Nasdaq (U.S. Companies) Index	100	157	176	231	233	321
Nasdaq Computer & Data Processing Index	100	196	231	275	306	492

EMPLOYMENT AGREEMENTS

Agreement with Mr. Walske

The Company has entered into an agreement with Mr. Walske which provides for certain benefits for him in the event of a termination of his employment under certain circumstances and upon the occurrence of certain events. Under the agreement, in the event the Company elects to terminate Mr. Walske's employment (other than for "cause", as defined in the agreement), or effects a "change in status" of Mr. Walske (which, as defined in the agreement, includes a diminution in title, responsibilities or compensation), Mr. Walske shall be entitled to receive (i) during the six-month period following such an event (or until such earlier date as he commences employment with another company), a salary at a rate equal to two times the highest annual salary (excluding bonuses) received by him in the prior six months, and (ii) provided he remains employed with the Company for such six-month period, a bonus equal to Mr. Walske's most recent fiscal year-end bonus. The agreement also provides that the outstanding options held by Mr. Walske under the Stock Option Plan shall become exercisable (i) in full upon a "change in control" of the Company, which in general includes (a) any person becoming the beneficial owner of 50% or more of the voting power of the Company, (b) a change in a majority of the Company's directors, or (c) the approval by the stockholders of a merger or consolidation in which the Company's stockholders do not have majority voting power of the surviving entity, a liquidation of the Company or a sale or disposition of all or substantially all of the Company's assets, or upon the death or disability of Mr. Walske, and (ii) for such number of shares of Common Stock for which they would have been exercisable had Mr. Walske's employment continued for one year following a termination of his employment without "cause" or a "change in status" of Mr. Walske.

Agreement with Mr. Harrison

The Company has entered into an agreement with Mr. Harrison which provides for certain benefits for him in the event of a termination of his employment under certain circumstances and upon the occurrence of certain events. The benefits provided under this agreement are substantially similar to those provided to Mr. Walske discussed above under this section except for the following: in the event the Company elects to terminate the employment of Mr. Harrison without "cause", or effects a "change in status" of Mr. Harrison, there is no provision for a bonus to be paid to Mr. Harrison.

Agreement with Mr. Gallagher

Mr. Gallagher resigned his position as Senior Vice President of Finance and Administration, Chief Financial Officer and Treasurer effective June 30, 1995. The Company entered into an agreement with Mr. Gallagher to continue to employ him at an annual salary of \$175,000 for a term which ended on October 19, 1995. Mr. Gallagher also received a pro-rated bonus under the Company's IPs for his contributions during fiscal 1995 of \$130,000.

SECTION 16(A) REPORTING DELINQUENCY

During the fiscal year ended September 30, 1995, Donald K. Grierson, a director of the Company, filed his Statement of Changes in Beneficial Ownership on Form 4 after the date on which such form was required to be filed with the Securities and Exchange Commission by Section 16(a) of the Exchange Act.

APPROVAL OF AMENDMENT TO THE ARTICLES OF ORGANIZATION INCREASING AUTHORIZED SHARES OF COMMON STOCK

The Board of Directors of the Company recommends that the stockholders approve an amendment to Article 3 of the Company's Articles of Organization to increase the number of authorized shares of Common Stock from 75,000,000 to 215,000,000. As of October 31, 1995, the Company had a total of 62,997,238

shares of Common Stock issued and outstanding, 8,299,347 shares reserved for issuance under its Stock Option Plan, 639,668 shares reserved for issuance under its Purchase Plan, 240,000 shares reserved for issuance under its 1992 Director Plan, and 381,671 shares reserved for issuance under a stock option plan assumed in one of the Company's acquisitions.

The Board of Directors believes that it is important to ensure that the Company will continue to have an adequate number of authorized and unissued shares of Common Stock available for future use. If this amendment is adopted by the stockholders, the additional authorized Common Stock would be available for issuance from time to time in the future for such corporate purposes, including stock splits and stock dividends, financings, and acquisitions, as the Board may deem advisable, without the necessity of further stockholder action. The issuance of additional shares of Common Stock, while providing desirable flexibility in carrying out corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of the outstanding voting stock of the Company. In addition, the issuance of additional shares of Common Stock could also lead to the dilution of existing stockholders. The Company may from time to time be reviewing potential acquisition candidates but has no present commitments or agreement with respect to any transactions involving the issuance of additional shares of Common Stock. The Board of Directors of the Company believes that the amendment to the Articles of Organization is in the best interest of the Company and its stockholders and recommends a vote FOR the proposal to approve the amendment to the Articles of Organization.

APPROVAL OF AMENDMENTS TO THE 1987 INCENTIVE STOCK OPTION PLAN

On November 17, 1995, the Board of Directors adopted, subject to stockholder approval, amendments to the Stock Option Plan to (i) increase the number of shares of Common Stock which may be issued under the Stock Option Plan by 3,000,000 shares, and (ii) change the designation of persons eligible to receive options under the Stock Option Plan to include consultants.

Success of the Company depends, in large part, on its ability to attract, retain and motivate key employees and consultants with experience and ability. The Board of Directors of the Company believes that the opportunity to receive options under the Stock Option Plan provides an important incentive to employees and consultants of the Company and that the Stock Option Plan will assist the Company in attracting and retaining competent personnel. Accordingly, the Board of Directors of the Company believes that the amendments to the Stock Option Plan are in the best interests of the Company and its stockholders and recommends a vote FOR the proposal to approve the amendments to the Stock Option Plan.

OPTION PLAN ACTIVITY

As of October 31, 1995, options to purchase an aggregate of 13,096,653 shares under the Stock Option Plan had been exercised and options to purchase 7,042,062 shares were outstanding. Without taking into account the proposed amendment to the Stock Option Plan, 1,257,285 shares of Common Stock remained available for future stock option grants under the Stock Option Plan as of October 31, 1995. The closing price of the Company's Common Stock on October 31, 1995 as reported by the Nasdaq Stock Market was \$66.875 per share.

In addition to those options granted to key employees under the Stock Option Plan, options to purchase an aggregate of 29,000 shares of Common Stock have been granted, subject to stockholder approval, to consultants of the Company on November 17, 1995 as compensation for services to be performed on behalf of the Company and include an option to purchase 4,000 shares of Common Stock granted to Michael Porter, a director of the Company, for services to be performed pursuant to a consulting agreement between Mr. Porter and the Company. The exercise price of such options is \$67.00, which was 100% of the fair market value on the date of grant.

SUMMARY OF THE STOCK OPTION PLAN

The Stock Option Plan currently provides for the granting of options for the purchase of shares of Common Stock of the Company to employees of the Company and certain of its subsidiaries. Options granted under the Stock Option

Plan may be either incentive stock options within the meaning of Section 422 of the Code, or non-qualified stock options. The purpose of the Stock Option Plan is to encourage ownership of Common Stock by key employees of the Company and to provide additional incentive to promote the growth, development and financial success of the Company's business. Grants to any individual under the Stock Option Plan are limited in any fiscal year to 1,000,000 shares.

The Stock Option Plan is administered by the Compensation Committee of the Board of Directors. Subject to the provisions of the Stock Option Plan, the Compensation Committee (and with respect to grants to Section 16 Officers, the Officers' Stock Option Committee) has the authority to select the employees to whom options are granted and determine the terms of each option, including (i) the number of shares of Common Stock covered by the option, (ii) when the option becomes exercisable (generally in four equal annual installments, commencing one year after the date of grant), (iii) the option exercise price, and (iv) the duration of the option. The Stock Option Plan provides that the exercise price of each option must be at least 100% of the fair market value of the Company's Common Stock on the date the option is granted and that the duration of an option may not be more than ten years from the date of grant. During the lifetime of the optionee, his or her option is exercisable only by him or her and is not transferable except by will or by the laws of descent and distribution and, in the case of Section 16 Officers, except as otherwise permitted by Rule 16b-3 (or any successor provision) under the Exchange Act.

Both incentive stock options and non-qualified stock options may be granted to employees of the Company and certain of its subsidiaries. The Compensation Committee or the Officers' Stock Option Committee selects the employees to whom options will be granted and determines the terms of each option, as described above. In making such determination, the Compensation Committee takes into account several factors including, but not limited to, the responsibilities of the employee, his or her present and potential contributions to the success of the Company and anticipated years of future service of the employee. As of October 31, 1995, approximately 2,000 employees were eligible to receive options under the Stock Option Plan. In fiscal 1995, the Company granted options under the Stock Option Plan to approximately 1,100 of its eligible employees to purchase a total of 3,077,050 shares. Options are exercisable only during an optionee's term of employment, and for twelve months after termination of employment as a result of death or permanent disability or for three months after termination as a result of retirement. The options terminate upon a reorganization, consolidation or merger of the Company if the Company is not the survivor, and the survivor does not assume the options or issue substitute options therefor, or upon the dissolution or liquidation of the Company, if an optionee is given the right, prior to termination, to exercise any options held.

The Board of Directors or the Compensation Committee may terminate or modify the Stock Option Plan at any time, provided that (i) the approval of the stockholders of the Company is obtained to increase the aggregate number of shares which may be issued under the Stock Option Plan, change the designation of the employees or class of employees eligible to receive options under the Stock Option Plan or materially increase the benefits accruing to participants in the Stock Option Plan; (ii) neither the Board of Directors nor the Compensation Committee takes any action to impair an optionee's rights or increase his or her obligations with respect to any outstanding options without the written consent of such optionee; and (iii) neither the Board of Directors nor the Compensation Committee takes any action to cause any incentive stock option granted under the Stock Option Plan to fail to qualify as an incentive stock option under Section 422 of the Code.

FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the federal income tax treatment of incentive stock options and non-qualified stock options granted under the Stock Option Plan.

Incentive Stock Options. An optionee does not realize taxable income upon the grant or exercise of an incentive stock option under the Stock Option Plan. If no disposition of shares issued to an optionee pursuant to the exercise of an incentive stock option is made by the optionee within two years from the date of grant or within one year from the date of exercise, then (a) upon sale of such shares, any amount realized in excess of the option price (the amount paid for the shares) is taxed to the optionee as long-term capital gain and any loss sustained will be a long-term capital loss and (b) no deduction is allowed to the Company for federal income tax purposes. The exercise of incentive stock options gives rise to an

adjustment in computing alternative minimum taxable income that may result in alternative minimum tax liability for the optionee.

If shares of Common Stock acquired upon the exercise of an incentive stock option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a "disqualifying disposition") then (a) the optionee realizes ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares at exercise (or, if less, the amount realized on a sale of such shares) over the option price thereof and (b) the Company is entitled to deduct such amount. Any further gain realized is taxed as a short-term or long-term capital gain and does not result in any deduction to the Company. A disqualifying disposition in the year of exercise will generally avoid the alternative minimum tax consequences of the exercise of an incentive stock option.

Non-qualified Stock Options. No income is realized by the optionee at the time a non-qualified option is granted. Upon exercise, (a) ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares on the date of exercise and (b) the Company receives a tax deduction for the same amount. Upon disposition of the shares, appreciation or depreciation after the date of exercise is treated as a short-term or long-term capital gain or loss and will not result in any deduction by the Company.

APPROVAL OF 1996 DIRECTOR STOCK OPTION PLAN

On November 17, 1995, the Board of Directors of the Company adopted, subject to stockholder approval, the 1996 Director Plan of the Company which will cover an aggregate of up to 90,000 shares of Common Stock. The 1996 Director Plan will replace the current 1992 Director Plan of the Company, which expires on the date of the 1996 Annual Meeting of Stockholders. The purpose of the 1996 Director Plan is to attract and retain qualified persons, who are not also officers or employees of the Company (the "Eligible Directors"), to serve as directors of the Company and to encourage stock ownership in the Company by such directors. Stockholder approval of the 1996 Director Plan is required. The Board of Directors believes that the adoption and approval of the 1996 Director Plan is in the best interests of the Company and its stockholders and recommends a vote FOR this proposal.

ADMINISTRATION AND ELIGIBILITY

The 1996 Director Plan authorizes the grant of non-qualified stock options to purchase up to a maximum of 90,000 shares (subject to future adjustment for stock splits and similar capital changes) of Common Stock to Eligible Directors. On the date of the Annual Meeting, Messrs. Goldman (subject to his election as a Class III director at the Annual Meeting), Grierson, Marx, Posternak and Porter will be eligible to participate in the 1996 Director Plan. Awards made under the 1996 Director Plan are intended to be "formula awards" within the meaning of Rule 16b-3 of the Exchange Act. Grants of options under the 1996 Director Plan are automatic as described below. However, all questions of interpretations with respect to the 1996 Director Plan are determined by the Board of Directors.

PURCHASE TERMS AND PRICE

Options to purchase 10,000 shares of Common Stock under the 1996 Director Plan are automatically granted to each Eligible Director at the time of initial election to the Board of Directors at an annual meeting or otherwise. In addition, immediately following the Annual Meeting of Stockholders each year, each Eligible Director continuing in office after such meeting will automatically be granted options to purchase 2,500 shares of Common Stock. The options become exercisable in four equal annual installments commencing one year following the date of grant, but only if the option holder is a director on that anniversary date. Options have a term of ten years and an exercise price equal to the fair market value of the Common Stock on the grant date, which will be the closing price of the Company's Common Stock as reported by the Nasdaq Stock Market on the date of grant. The closing price of the Company's Common Stock on October 31, 1995 as reported by the Nasdaq Stock Market was \$66.875. The exercise price may be paid in cash, certified or bank check or, if the option so

provides, in shares of Common Stock, or a combination thereof.

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FEDERAL INCOME TAX CONSEQUENCES

No taxable income will be recognized by the optionee upon the grant of a stock option under the 1996 Director Plan. The optionee must recognize as ordinary income in the year in which the option is exercised the amount by which the fair market value of the purchased shares on the date of exercise exceeds the exercise price. The Company will be entitled to a business expense deduction equal to the amount of ordinary income recognized by the optionee. Any additional gain or loss recognized upon the subsequent disposition of the purchased shares will be a capital gain or loss, and will be a long-term gain or loss if the shares are held for more than one year.

OPTIONS TO BE GRANTED

In accordance with the terms of the 1996 Director Plan, each of the five directors and nominees for director who are eligible to participate in the 1996 Director Plan will automatically receive options to purchase 2,500 shares of Common Stock. The grant to Mr. Goldman is subject to his election by the stockholders as a Class III director at the Annual Meeting. The exercise price of these options will be equal to the closing price of the Company's Common Stock as reported by the Nasdaq Stock Market on the date of grant.

AMENDMENT AND MERGER OF PRIOR PLAN

The 1996 Director Plan constitutes an amendment and restatement of the Company's 1992 Director Plan, which, if the 1996 Director Plan is approved by the stockholders, will be superseded by the 1996 Director Plan. No additional options will be granted under the 1992 Director Plan, but the rights and privileges of holders of outstanding options under the 1992 Director Plan will not be adversely affected by the foregoing action. For a description of the grants under the 1992 Director Plan to the Company's current directors, see "Director Compensation".

INFORMATION CONCERNING INDEPENDENT ACCOUNTANTS

On November 17, 1995 the Board of Directors of the Company upon recommendation of its Audit Committee approved a change in the Company's independent accountants from Price Waterhouse LLP to Coopers & Lybrand L.L.P. effective for the fiscal year ending September 30, 1996.

Price Waterhouse LLP has served as the Company's independent accountants for the four most recent fiscal years. During these periods, the Company did not have any disagreements with Price Waterhouse LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, nor did any reports issued by Price Waterhouse LLP contain an adverse opinion or a disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles.

Representatives of Coopers & Lybrand L.L.P. and Price Waterhouse LLP are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and will also be available to respond to appropriate questions from stockholders.

OTHER MATTERS

The Board of Directors does not know of any other matters which may come before the Annual Meeting. However, if any other matters are properly presented to the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote, or otherwise act, in accordance with their judgment on such matters.

All costs of solicitation of proxies will be borne by the Company. Such costs will include a \$7,500 fee to Georgeson & Company Inc., which has been retained to assist with proxy solicitations. The Company's directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone, telegraph and personal interviews. Brokers, custodians and

fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names,

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and the Company will reimburse them for their reasonable out-of-pocket expenses incurred in connection with the distribution of proxy materials.

Proposals of stockholders intended to be presented at the 1997 Annual Meeting of Stockholders must be received by the Company at its principal office in Waltham, Massachusetts not later than August 31, 1996 for inclusion in the proxy statement for that meeting. In order to curtail controversy as to the date on which a proposal was received by the Company, proponents should submit their proposals by Certified Mail-Return Receipt Requested.

By Order of the Board of Directors,

MARTHA L. DURCAN, Clerk

December 29, 1995

THE BOARD OF DIRECTORS HOPES THAT STOCKHOLDERS WILL ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE. A PROMPT RESPONSE WILL GREATLY FACILITATE ARRANGEMENTS FOR THE MEETING AND YOUR COOPERATION WILL BE APPRECIATED. STOCKHOLDERS WHO ATTEND THE MEETING MAY VOTE THEIR STOCK PERSONALLY EVEN THOUGH THEY HAVE SENT IN THEIR PROXIES.

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PARAMETRIC TECHNOLOGY CORPORATION

PROXY FOR 1996 ANNUAL MEETING OF STOCKHOLDERS

FEBRUARY 8, 1996

The undersigned, having received notice of and the Proxy Statement relating to the 1996 Annual Meeting of Stockholders to be held on February 8, 1996, at 9:00 a.m. at 128 Technology Drive, Waltham, MA 02154, and revoking all prior proxies, hereby appoint(s) Edwin J. Gillis and Martha L. Durcan, and each of them acting singly, with full power of submission, as proxies to represent and vote on behalf of the undersigned, as designated below, all shares of common stock, \$.01 par value per share, (the "Common Stock") of Parametric Technology Corporation (the "Company") which the undersigned would be entitled to vote if personally present at the 1996 Annual Meeting of Stockholders and any adjournment or adjournments thereof (the "Annual Meeting"). IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

(TO BE SIGNED ON REVERSE SIDE)

SEE REVERSE SIDE

PARAMETRIC TECHNOLOGY CORPORATION

1996 DIRECTOR STOCK OPTION PLAN

(Subject to stockholder adoption at the 1996 Annual meeting of Stockholders.)

1. PURPOSE.

This 1996 Director Stock Option Plan (the "Plan") governs options to purchase Common Stock, \$.01 par value per share (the "Common Stock"), of Parametric Technology Corporation (the "Company") granted by the Company to members of the Board of Directors of the Company who are not also officers or employees of the Company. The purpose of the Plan is to attract and retain qualified persons to serve as Directors of the Company and to encourage ownership of the Common Stock of the Company by such Directors.

2. ADMINISTRATION.

Grants of stock options under the Plan shall be automatic as provided in Section 8. However, all questions of interpretation of the Plan or of any options granted hereunder shall be determined by the Board of Directors of the Company (the "Board"). Any and all powers of the Board under the Plan may be exercised by a committee consisting of one or more Directors appointed by the Board.

3. ELIGIBILITY.

Members of the Board who are not also officers or employees of the Company shall be eligible to participate in the Plan.

4. SHARES SUBJECT TO THE PLAN.

Options may be granted under the Plan in respect of a maximum of 90,000 shares of Common Stock, subject to adjustment as provided in Section 5 below. Shares to be issued upon the exercise of options granted under the Plan may be either authorized but unissued shares or shares held by the Company in its treasury. Whenever options under the Plan lapse or terminate or otherwise become unexercisable, the shares of Common Stock which were available for such options shall again be available for the grant of options under the Plan. The Company shall at all times while the Plan is in force reserve such number of shares of Common Stock as will be sufficient to satisfy the requirements of the Plan.

5. ADJUSTMENT OF NUMBER OF OPTION SHARES.

In the event of a stock dividend, split-up, combination or reclassification of shares, recapitalization or other similar capital change relating to the Company's Common Stock, the maximum aggregate number and kind of shares or securities of the Company as to which options may be granted under this Plan and as to which options then outstanding shall be exercisable, and

the option price of such options shall be appropriately adjusted so that the proportionate number of shares or other securities as to which options may be granted and the proportionate interest of holders of outstanding options shall be maintained as before the occurrence of such event.

In the event of any reorganization, consolidation or merger to which the Company is a party and in which the Company does not survive, or upon the dissolution or liquidation of the Company, all outstanding options shall terminate; provided, however, that (i) in the event of the liquidation or

dissolution of the Company, or in the event of any such reorganization, consolidation or merger in which the Company does not survive and with respect to which the resulting or surviving corporation does not assume such outstanding option or issue a substitute option therefor, such option shall be exercisable in full, without regard to any installment restrictions on exercise imposed pursuant to this Plan or any Option Agreement, during such period preceding the effective date of such liquidation, dissolution, reorganization, consolidation or merger (unless such option is terminated earlier by its terms) as may be specified by the Board; and (ii) in the event of any such reorganization, consolidation or merger, the Board may, in its good faith discretion, arrange to have the resulting or surviving corporation assume such outstanding option or

issue a substitute option therefor.

No fraction of a share shall be purchasable or deliverable upon exercise of an option, but, in the event any adjustment hereunder of the number of shares covered by the option shall cause such number to include a fraction of a share, such fraction shall be adjusted to the nearest smaller whole number of shares.

6. NON-STATUTORY STOCK OPTIONS.

All options granted under the Plan shall be non-statutory options not entitled to special tax treatment under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

7. FORM OF OPTION AGREEMENTS.

Options shall be granted hereunder pursuant to the terms of Option Agreements which shall be substantially in the form of the attached Exhibit A or -----
in such other form as the Board may from time to time determine.

8. GRANT OF OPTIONS AND OPTION TERMS.

Automatic Grant of Options. Options to purchase Common Stock shall automatically be granted as follows:

(i) Immediately following his or her election, each non-employee director of the Company newly elected to the Board of Directors shall automatically be granted options to purchase 10,000 shares of Common Stock; and

(ii) Immediately following the annual meeting of stockholders each year, each non-employee director of the Company continuing in office after such meeting shall automatically be granted options to purchase 2,500 shares of Common Stock.

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No options shall be granted hereunder after ten years from the date on which this Plan was initially approved and adopted by the Board.

Date of Grant. The "Date of Grant" for options granted under this Plan shall be (i) the date of the respective director's election, for each grant pursuant to clause (i) of the preceding paragraph and (ii) the date of the respective annual meeting of stockholders, for each grant pursuant to clause (ii) of the preceding paragraph.

Option Price. The option price for each option granted under this Plan shall be the current fair market value of a share of Common Stock of the Company, which, for this purpose, shall be the last sale price for the Company's Common Stock as reported on the Nasdaq National Market, or the principal exchange on which the Common Stock is then traded, as the case may be, for the Date of Grant.

Term of Option. The term of each option granted under the Plan shall be ten years from the Date of Grant.

Period of Exercise. Options granted under the Plan shall become exercisable in four equal installments on each of the first, second, third and fourth anniversaries of the Date of Grant if and only if the option holder is a member of the Board at the opening of business on that anniversary date. Directors holding exercisable options under the Plan who cease to serve as members of the Board of the Company for any reason other than death may, for a period of seven months following the date of cessation of service, exercise the rights they had under such options at the time they ceased being a Director. Any rights that have not yet become exercisable shall terminate upon cessation of membership on the Board. Upon the death of a Director, those entitled to do so under the Director's will or the laws of descent and distribution shall have the right, at any time within twelve months after the date of death, to exercise in whole or in part any rights which were available to the Director at the time of his death. The rights of the option holder may be exercised by the holder's guardian or legal representative in the case of disability and by the beneficiary designated by the holder in writing delivered to the Company or, if none has been designated, by the holder's estate or his or her transferee on death in accordance with this Plan, in the case of death. Options granted under the Plan

shall terminate, and no rights thereunder may be exercised, after the expiration of the applicable exercise period. Notwithstanding the foregoing provisions, no rights under any options may be exercised after the expiration of ten years from their Date of Grant.

Method of Exercise and Payment. Each exercise of an option hereunder may be effected only by giving written notice, in the manner provided in Section 12 hereof, of intent to exercise the option, specifying the number of shares as to which the option is being exercised, and accompanied by full payment of the option price for the number of shares then being acquired. Such payment shall be made in cash, by certified or bank check payable to the order of the Company, credit to the Company's account at a financial or brokerage institution on the date of exercise or a payment commitment of such an institution acceptable to the Company, or if the option so provides, (i) in shares of Common Stock having an aggregate Fair Market Value, at the time of such payment, equal to the total option price for the number of shares of Common Stock

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for which payment is then being made, or (ii) partly in cash or by certified or bank check payable to the order of the Company and the balance in shares of Common Stock having an aggregate Fair Market Value, at the time of such payment, equal to the difference between the total option price for the number of shares of Common Stock for which payment is then being made and the amount of the payment in cash or by certified or bank check. For purposes hereof, the "Fair Market Value" of the Common Stock shall be the last sale price of the Common Stock as reported on the Nasdaq National Market for the business day immediately preceding the option exercise date.

Receipt by the Company of such notice and payment shall, for purposes of this Plan, constitute exercise of the option or a part thereof. Within twenty (20) days thereafter, the Company shall deliver or cause to be delivered to the optionee a certificate or certificates for the number of shares of Common Stock then being purchased by the optionee. Such shares shall be fully paid and non-assessable. If any law or applicable regulation of the Securities and Exchange Commission or other public regulatory authority (including, but not limited to, a stock exchange) shall require the Company or the optionee (i) to register or qualify, under the Securities Act of 1933, as amended (the "Securities Act"), any similar federal statute then in force or any state law regulating the sale of securities, any shares of Common Stock covered by an option with respect to which notice of intent to exercise shall have been delivered to the Company or (ii) to take any other action in connection with such shares before issuance thereof may be effected, then the delivery of the certificate or certificates for such shares shall be postponed until completion of the necessary action, which the Company shall take in good faith and without delay. All such action shall be taken by the Company at its own expense.

To the extent determined necessary by counsel to the Company to comply with any applicable law, the Company may require an individual exercising an option to represent that his purchase of shares of Common Stock pursuant to such exercise is for his own account, for investment and without a view to resale or distribution, and that he will not sell or otherwise dispose of any such shares except pursuant to (i) an effective registration statement covering such transaction filed with the Securities and Exchange Commission and in compliance with all of the applicable provisions of the Securities Act, and the rules and regulations thereunder, or (ii) an opinion of Company counsel that such registration is not required.

Non-transferability. Options granted under the Plan shall not be transferable by the holder thereof otherwise than by will or the laws of descent and distribution or by such other means as may be permitted by Rule 16b-3 (or any successor provision) under the Securities Exchange Act of 1934, as amended ("Rule 16b-3").

9. LIMITATION OF RIGHTS.

No Right to Continue as a Director. Neither the Plan, nor the granting of an option or any other action taken pursuant to the Plan, shall constitute an agreement or understanding, express or implied, that the Company will retain an optionee as a Director for any period of time or at any particular rate of compensation.

4

No Stockholders' Rights for Options. Directors shall have no rights as stockholders with respect to the shares covered by their options until the date they exercise such options and pay the option price to the Company, and no adjustment will be made for dividends or other rights for which the record date is prior to the date such option is exercised and paid for.

10. STOCKHOLDER APPROVAL.

The Plan is subject to approval by the stockholders of the Company by the affirmative vote of a majority of the shares of Common Stock present or represented and entitled to vote at a meeting of the Company's stockholders. In the event such approval is not obtained, all options granted under this Plan shall be void and without effect.

11. AMENDMENT OR TERMINATION.

The Board may amend or terminate this Plan at any time, provided that, to the extent required to qualify the Plan for the exemption under Rule 16b-3, no amendment may be made to change the eligibility or selection of Directors to receive options, the timing of grants, or the number of shares of Common Stock subject to the Plan or any option granted thereunder, other than as permitted by such Rule, and this Plan shall not be amended more than once every six months, other than to comport with changes in the Code or the Employee Retirement Income Security Act of 1974, as amended or the rules and regulations promulgated thereunder.

12. NOTICES.

Any communication or notice required or permitted to be given under this Plan shall be in writing and mailed by registered or certified mail or delivered in hand, if to the Company, to its Corporate Counsel at Parametric Technology Corporation, 128 Technology Drive, Waltham, Massachusetts 02154 and, if to an optionee, to such address as the optionee shall last have furnished to the Company.

13. GOVERNING LAW.

The Plan shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

As adopted by the Board of Directors
on November 17, 1995

As approved by the Stockholders on
February 8, 1996

EXHIBIT A

1996 DSO - _____ Shares

PARAMETRIC TECHNOLOGY CORPORATION
1996 Director Stock Option Plan
Non-statutory Stock Option Agreement
_____, 199_

Parametric Technology Corporation (the "Company"), a Massachusetts corporation, hereby grants to the person named below an option to purchase shares of Common Stock, \$.01 par value per share of the Company (the "Option") under and subject to the Company's 1996 Director Stock Option Plan (the "Plan") exercisable only on the following terms and conditions and those set forth on the reverse side of this Agreement:

Name of Optionee:
Address:

Social Security No.
Option Price:
Date of Grant:

Exercisability Schedule:

at any time on or after the first anniversary of the date hereof, as to _____ shares,
at any time on or after the second anniversary of the date hereof, as to _____ additional shares,
at any time on or after the third anniversary of the date hereof, as to _____ additional shares,
at any time on or after the fourth anniversary of the date hereof, as to _____ additional shares,

provided that this Optionee is a member of the Board of Directors of the Company (the "Board") at the opening of business on the date described above and provided that this Option may not be exercised as to any shares after the expiration of ten years from the date hereof.

By signing this Stock Option Agreement and returning on signed copy of to the Company, the Optionee accepts the Option described herein on the terms and conditions set forth herein or in the plan.

PARAMETRIC TECHNOLOGY
CORPORATION

Accepted and agreed to:

By: _____
Title: _____

Optionee

TERMS AND CONDITIONS

Parametric Technology Corporation
1996 Director Stock Option Plan

1. This Option may be exercised from time to time in accordance with the exercisability Schedule for up to the aggregate number of shares specified herein, but in no event for the purchase of other than full shares; provided, however, that this Option may not be exercised as to any shares after the expiration of ten years from the date hereof. Written notice of exercise shall be delivered to the Company specifying the number of shares with respect to which the Option is being exercised. Not later than twenty days after the date of the delivery of such notice the Company will deliver to the Optionee a certificate for the number of shares with respect to which the Option is being exercised against payment therefor in cash or by check, credit to the Company's account at a financial or brokerage institution on the date of exercise or a payment commitment of such an institution acceptable to the Company or by shares of the Company's Common Stock, valued at their fair market value as of the date of exercise as determined as provided in the Plan, or in any combination of cash, check and shares of Common Stock. Shares of Common Stock surrendered in payment of the option price shall have been held by the person exercising the option for at least six months unless otherwise permitted by the Board.

2. The Optionee shall not be deemed, for any purpose, to have any rights whatever in respect of shares to which the Option shall not have been exercised and payment made as aforesaid. The Optionee shall not be deemed to have any rights to continued service as director by virtue of the grant of this Option.

3. In the event of stock dividend, split-up, combination or reclassification of shares, recapitalization or other similar capital change relating to the Common Stock, the maximum aggregate number and kind of shares of securities of the Company subject to this Option and the exercise price of this Option shall be appropriately adjusted by the Board (whose determination shall be conclusive) so that the proportionate number of shares or other securities subject to this Option and the proportionate interest of the Optionholder shall be maintained as before the occurrence of such event.

4. In the event of any reorganization, consolidation or merger to which the Company is a party and in which the Company does not survive, or upon the dissolution or liquidation of the Company, this option, to the extent outstanding and unexercised, shall terminate; provided, however, that (i) in the event of the liquidation of dissolution of the Company, or in the event of any such reorganization, consolidation or merger in which the Company does not survive and with respect to which the resulting or surviving corporation does not assume such outstanding option or issue a substitute option herefor, this option shall be exercisable in full, without regard to any installment restrictions on exercise imposed pursuant to the Plan or this Option Agreement, during such period preceding the effective date of such liquidation,

dissolution, reorganization, consolidation or merger (unless this option is terminated earlier by its terms) as may be specified by the Board; and (ii) in the event of any such reorganization, consolidation or merger, the Board may, in its good faith discretion, arrange to have the resulting or surviving corporation assume this option, to the extent outstanding and unexercised, or issue a substitute option therefor.

5. This Option is not transferable by the Optionee otherwise than by will or the laws of descent and distribution or by such other means as may be permitted by Rule 16b-3 (or any successor provision) under the Securities Exchange Act of 1934, as amended. This Option is exercisable during the Optionee's lifetime only by the Optionee, provided that this Option may be exercised by the Optionholder's guardian or legal representative in the case of disability and by the beneficiary designated by the Optionholder in writing delivered to the Company, or, if none has been designated, by the Optionholder's estate or his or her transferee on death in accordance with this Section, in the case of death.

6. If the Optionee ceases to serve as a member of the Board for any reason other than death, the Optionee may, for a period of seven months following such cessation of service, exercise the rights which the Optionee had hereunder at the time the Optionee ceased being a director. Upon the death of the Optionee, those entitled to do so shall have the right, at any time within twelve months after the date of death (subject to the prior expiration of the Option exercise period), to exercise in whole or in part any rights which were available to the Optionee at the time of the Optionee's death. This Option shall terminate after the expiration of the applicable exercise period.

Notwithstanding the foregoing provisions of this Section 6, no rights under this Option may be exercised after the expiration of ten years from the date hereof.

7. It shall be a condition to the Optionee's right to purchase shares of Common Stock hereunder that the Company may, in its discretion, require (a) that the shares of Common Stock reserved for issue upon the exercise of this Option shall have been duly listed, upon official notice of issuance, upon any national securities exchange on which the Company's Common Stock may then be listed, (b) that either (i) a Registration Statement under the Securities Act of 1933, as amended, with respect to said shares shall be in effect, or (ii) in the opinion of counsel for the Company the proposed purchase shall be exempt from registration under said Act and the Optionee shall have made such undertakings and agreements with the Company as the Company may reasonably require, and (c) that such other steps, if any, as counsel for the Company shall deem necessary to comply with any law, rule or regulation applicable to the issue of such shares by the Company shall have been taken by the Company or the Optionee, or both. The certificates representing the shares purchased under this Option may contain such legends as counsel for the Company shall deem necessary to comply with any applicable law, rule or regulation.

8. Any exercise of this Option is conditioned upon the payment, if the Company so requests, by the Optionee or such other person who may be entitled to exercise this Option in accordance with the terms hereof, of all state and federal taxes imposed upon the exercise of this Option and the issue to the Optionee of the shares covered hereby.

9. This Option shall not be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended.

10. This Option is issued pursuant to the terms of the Plan. This Certificate does not set forth all of the terms and conditions of the Plan, which are incorporated herein by reference. Capitalized terms used and not otherwise defined herein have the meanings given to them in the Plan. Copies of the Plan may be obtained upon written request without charge from the Company.

PARAMETRIC TECHNOLOGY CORPORATION

1987 Incentive Stock Option Plan

(As amended through the November 17, 1995 Board of Directors Meeting.
Subject to stockholder approval at the 1996 Annual Meeting of Stockholders.)

1. Definitions. As used in this Incentive Stock Option Plan of

PARAMETRIC TECHNOLOGY CORPORATION, the following terms shall have the following
meanings:

1. Board shall mean the company's Board of Directors.

2. Code shall mean the United States Internal Revenue Code of 1986,

as amended from time to time.
3. Company shall mean PARAMETRIC TECHNOLOGY CORPORATION.

4. Fair Market Value shall mean the value of a share of Stock of the

Company on any date as determined by the Board.
5. Grant Date shall mean the date on which an Option is granted, as

specified in Section 7.
6. Incentive Stock Option shall mean an Option intended to qualify

as an incentive stock option within the meaning of Section 422A of the
Code.
7. Option shall mean an option, granted under the Plan, to purchase

shares of the Stock.
8. Option Agreement shall mean an agreement between the Company and

an Optionee, setting forth the terms and conditions of an Option.
9. Option Price shall mean the price per share of the Stock to be

paid by an Optionee upon exercising an Option under this Plan.
10. Option Share shall mean any share of the Stock transferred to an

Optionee upon exercise of an Option pursuant to this Plan.
11. Optionee shall mean a person eligible to receive an Option, as

provided in Section 8, to whom an Option shall have been granted under this
Plan.
12. Plan shall mean this Incentive Stock Option Plan of the Company

as it may be amended from time to time.
13. Stock shall mean the common stock, \$.01 par value, of the

Company.
14. Eligible Participants shall mean key employees and consultants of

the Company.
15. Engagement shall mean the employment relationship, in the case of

employees, or the services arrangement, in the case of consultants, between the Company and the Eligible Participants, as the case may be.

2. Purpose. This Incentive Stock Option Plan is intended to encourage

ownership of the Stock by Eligible Participants of the Company and of its subsidiaries and to provide additional incentive for them to promote the growth, development and financial success of the Company's business. This Plan is intended to be an incentive stock option plan, and the Company may grant pursuant to this Plan either Incentive Stock Options or Options which do not qualify as Incentive Stock Options.

3. Term of the Plan. Options under this Plan may be granted on or after

the date this Plan is approved by the stockholders of the Company; but no Option under this Plan may be granted more than ten years from the earlier of (a) the date this Plan is adopted by the Board, and (b) the date this Plan is approved by the stockholders of the Company.

4. Stock Subject to the Plan. Subject to adjustment as provided in

Section 14 of this Plan, at no time shall the sum of (i) the number of shares of the Stock then outstanding which are attributable to the exercise of Options granted under this Plan, and (ii) the number of shares of the Stock then issuable upon exercise of outstanding Options granted under this Plan exceed 24,396,000 shares. Shares to be issued upon the exercise of Options granted under this Plan may be either authorized but unissued or shares held by the Company in its treasury. If any Option expires or terminates for any reason without having been exercised in full, the shares not purchased thereunder shall again be available for Options thereafter to be granted under this Plan.

5. Administration. This Plan shall be administered by the Board or by a

duly appointed committee of the Board having such powers as shall be specified by the Board; provided, however, that any grants of Options under this Plan to

an officer (as defined in Section 16, and the rules promulgated thereunder ("Section 16"), of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or director of the Company shall be made by the Officers' Stock Option Committee which shall, in accordance with Section 16 of the Exchange Act, consist of "disinterested" members of the Board. Subsequent references herein to the Board shall also refer to such committees, as appropriate, if they have been appointed. No member of the Board shall act upon any matter exclusively affecting any Option granted or to be granted to himself or herself under this Plan. Subject to the provisions of this Plan, the

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Board shall have complete authority, in its discretion, to make the following determinations with respect to each Option to be granted by the Company: (a) the Eligible Participant to receive the Option; (b) the time of granting the Option; (c) the number of shares subject thereto; (d) the Option Price; (e) the Option period; and (f) the period of exercisability following the termination of Optionee's Engagement. In making such determinations, the Board may take into account the nature of the services rendered by the respective Eligible Participants, their present and potential contributions to the success of the Company and its subsidiaries, and such other factors as the Board, in its discretion, shall deem relevant. Subject to the provisions of this Plan, the Board shall also have complete authority to interpret this Plan, to prescribe, amend and rescind rules and regulations for the administration of this Plan, to determine the terms and provisions of the respective Option Agreements (which need not be identical), to decide all questions and settle all controversies and disputes which may arise in connection with this Plan, and to make all other determinations necessary or advisable for the administration of this Plan. The Board's determinations on the matters referred to in this Section 5 shall be conclusive and binding on all persons concerned.

6. Eligibility. An Option may be granted only to an Eligible Participant

of any one or more of the Company and its subsidiaries. A director of any one or more of the Company and its subsidiaries who is not also an Eligible Participant of any one or more of the Company and its subsidiaries shall not be eligible to receive an Option. An Optionee may hold more than one Option, but only on the

terms and subject to the conditions and restrictions herein set forth. No Optionee may receive an Option grant which would result in such Optionee having received, during the fiscal year of the Company in which the grant is proposed to be made, Options for more than an aggregate of 1,000,000 shares of Stock.

7. Time of Granting Options. The granting of an Option shall take place at the time specified by the Board. Only if expressly so provided by the Board shall the Grant Date be the date on which an Option Agreement shall have been duly executed and delivered by the Company and the Optionee.

8. Option Price. The Option Price under each Option shall not be less than 100 percent of the Fair Market Value of the Stock on the Grant Date; provided, however, that in the case of an Incentive Stock Option granted to an individual who, on the Grant Date, owns stock possessing more than ten (10%) percent of the total combined voting power of all classes of stock of the Company or of a parent or subsidiary corporation of the Company (a "10% Stockholder"), the Option Price shall not be less than 110 percent of the Fair Market Value of the Stock on such Grant Date. The Fair Market Value of the Stock at the time any Option is granted shall be determined by the Board after considering all relevant information. In making any such determination, the Board shall act in good faith so as to ensure that the Option Price is not less than 100 percent (or 110 percent, if required) of such Fair Market Value.

9. Option Period. Each Option shall be exercisable at such time or times, whether or not in installments (which may be cumulative or non-cumulative), as the Board may determine; and, in the case of an Option made exercisable in installments, the Board may later

determine to accelerate the time by which any one or more of such installments may be exercised. Notwithstanding the foregoing, no Option may be exercised after the expiration of (i) ten years from the date such Option is granted, or (ii) five years from the date such Option is granted, in the case of an Incentive Stock Option granted to an individual who, on the Grant Date, is a 10% Stockholder.

10. Special Limitation on Exercise. Notwithstanding anything to the contrary contained in this Plan the aggregate fair market value of the shares of Stock with respect to which Incentive Stock Options granted under this Plan or under any other incentive stock option plan of the Company or of a parent or subsidiary corporation of the Company are exercisable for the first time by any Eligible Participant during any calendar year shall not exceed \$100,000. For purposes of this Section 10, the fair market value of the shares of Stock for which any such Incentive Stock Option is granted shall be determined as of the time of the granting of such Incentive Stock Option.

11. Exercise of Option; Investment Purpose. Each exercise of an Option hereunder may be effected only giving written notice, in the manner provided in Section 19 hereof, of intent to exercise the Option, specifying the number of shares as to which the Option is being exercised, and accompanied by full payment of the Option Price for the number of shares then being acquired. Such payment shall be made in cash, by certified or bank check payable to the order of the Company, credit to the Company's account at a financial or brokerage institution on the date of exercise, or, if the Option so provides, (i) in shares of the Stock having an aggregate Fair Market Value, at the time of such payment, equal to the total Option Price for the number of shares of the Stock for which payment is then being made, or (ii) partly in cash or by certified or bank check payable to the order of the Company and the balance in shares of the Stock having an aggregate Fair Market Value, at the time of such payment, equal to the difference between the total Option Price for the number of shares of the Stock for which payment is then being made and the amount of the payment in cash or by certified or bank check; provided, however, that no part of the purchase price for any shares of the Stock being purchased pursuant to an exercise of an Option shall be paid in shares of the Stock which were previously acquired by the Optionee (x) pursuant to an earlier exercise of such Option, or (y) pursuant to the exercise of another incentive stock option granted by the Company if the

previously acquired shares have been held by the Optionee for less than two years since the date of the granting of such other option to him or for less than one year since the transfer to him of such previously acquired shares. The determination of such aggregate Fair Market Value shall be made by the Board, whose determination in this regard shall be final and binding on all concerned.

Receipt by the Company of such notice and payment shall, for purposes of this Plan, constitute exercise of the Option or a part thereof. Within twenty (20) days thereafter, the Company shall deliver or cause to be delivered to the Optionee a certificate or certificates for the number of shares of the Stock then being purchased by him. Such shares shall be fully paid and nonassessable. If any law or applicable regulation of the Securities and Exchange Commission or other public regulatory authority (including, but not limited to, a stock

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exchange) shall require the Company or the Optionee (a) to register or qualify, under the Securities Act of 1933, as amended, any similar federal statute then in force or any state law regulating the sale of securities, any Option Shares with respect to which notice of intent to exercise shall have been delivered to the Company or (b) to take any other action in connection with such shares before issuance thereof may be effected, then the delivery of the certificate or certificates for such shares shall be postponed until completion of the necessary action, which the Company shall take in good faith and without delay. All such action shall be taken by the Company at its own expense.

The Company may require an individual exercising an Option to represent that his purchase of shares of the Stock pursuant to such exercise is for his own account, for investment and without a view to resale or distribution, and that he will not sell or otherwise dispose of any of such shares except pursuant to (i) an effective registration statement covering such transaction filed with the Securities and Exchange Commission and in compliance with all of the applicable provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder, or (ii) an opinion of Company counsel that such registration is not required.

12. Transferability of Options. Each Option granted hereunder shall not

be transferable by the Optionee other than by will or the laws of descent and distribution or, in the case of an officer (as defined in Section 16 of the Exchange Act) or director of the Company, such other means as may be permitted by Rule 16b-3 (or any successor provision) under the Exchange Act. Each Option granted hereunder may be exercised, during the Optionee's lifetime, only by him or her. In addition, Options granted to an officer (as defined in Section 16 of the Exchange Act) or director of the Company shall not be transferable for a period of six months following the grant Date. From and after the death of an Optionee, each Option held by such Optionee at his death, to the extent then exercisable, may be exercised prior to its termination by the person(s) to whom the Optionee's option rights pass by will or by the applicable laws of descent and distribution.

13. Termination of Engagement. In the event that an Optionee's Engagement

is terminated for any reason (voluntary or involuntary) and the period of exercisability for a particular Option following such termination has not been specified by the Board, each such Option then held by that Optionee shall expire to the extent not previously exercised ten (10) days after such Optionee's Engagement is terminated, except that -

(a) If the Optionee is on military, sick leave or other bona fide

leave of absence (such as temporary employment by the federal government), his Engagement with the Company will be treated as continuing intact if the period of such leave does not exceed ninety (90) days, or, if longer, so long as the Optionee's right to reemployment or the survival of his or her service arrangement with the Company is guaranteed either by statute or by contract; otherwise, the Optionee's Engagement will be deemed to have terminated on the 91st day of such leave.

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(b) If the Optionee's Engagement is terminated by reason of his

retirement from the Company, each Option then held by the Optionee, to the extent exercisable at retirement, may be exercised by the Optionee at any time within three (3) months after retirement unless terminated earlier by its terms.

(c) If the Optionee's Engagement is terminated by reason of his death, each Option then held by the Optionee, to the extent exercisable at the date of death, may be exercised at any time within one year after that date (unless terminated earlier by its terms) by the person(s) to whom the Optionee's option rights pass by will or by the applicable laws of descent and distribution.

(d) If the Optionee's Engagement is terminated by reason of his becoming permanently and totally disabled, each Option then held by the Optionee, to the extent exercisable upon the occurrence of permanent and total disability, may be exercised by the Optionee at any time within one (1) year after such occurrence unless terminated earlier by its terms. For purposes hereof, an individual shall be deemed to be "permanently and totally disabled" if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. Any determination of permanent and total disability shall be made in good faith by the Company on the basis of a report signed by a qualified physician.

14. Adjustment of Number of Option Shares. Each Option Agreement shall

provide that, in the event of any stock dividend payable in the Stock or any split-up or contraction in the number of shares of the Stock occurring after the date of such Agreement and prior to the exercise in full of the Option covered thereby, the number of shares subject to such Agreement and the price to be paid for each share subject to such Option shall each be proportionately adjusted. Each such Agreement shall also provide that, in case of any reclassification or change of outstanding shares of the Stock occurring after the date of such Agreement and prior to the exercise in full of the Option covered thereby, the number and kind of shares of Stock subject to such Agreement and the price to be paid for each share subject to such Option shall each be appropriately adjusted.

Each Option Agreement shall further provide that, in the event of any reorganization, consolidation or merger to which the Company is a party and in which the Company does not survive, or upon the dissolution or liquidation of the Company, the Option covered thereby shall terminate; provided, however, that

(i) in the event of the liquidation or dissolution of the Company, or in the event of any such reorganization, consolidation or merger in which the Company does not survive and with respect to which the resulting or surviving corporation does not assume such Option or issue a substitute Option therefor, such Option shall be exercisable in full, without regard to any installment restrictions on exercise imposed pursuant to this Plan or such Option Agreement (but subject to Section 10 hereof), during such period preceding the effective date of such liquidation, dissolution, reorganization, consolidation or

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merger (unless such Option is terminated earlier by its terms) as may be specified by the Board; and (ii) in the event of any such reorganization, consolidation or merger, the Board may, in its good faith discretion, arrange to have the resulting or surviving corporation assume such Option or issue a substitute option therefor.

No fraction of a share shall be purchasable or deliverable upon exercise of an Option, but, in the event any adjustment hereunder of the number of shares covered by the Option shall cause such number to include a fraction of a share, such fraction shall be adjusted to the nearest smaller whole number of shares.

In the event of changes in the outstanding Stock by reason of any stock dividend, split-up, contraction, reclassification, or change of outstanding shares of the Stock of the nature contemplated by this Section 14, the number of shares of the Stock available for the purpose of the plan, as stated in Section 4, shall be correspondingly adjusted.

15. Reservation of Stock. The Company shall at all times during the term

of this Plan and of the Options granted hereunder reserve and keep available such number of shares of the Stock as will be sufficient to satisfy the requirements of this Plan and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

16. Limitation of Rights in the Option Shares. An Optionee shall not be

deemed for any purpose to be a stockholder of the Company with respect to any of his Option Shares except to the extent that the Option covering such Shares shall have been exercised with respect thereto and, in addition, a certificate shall have been issued therefor and delivered to the Optionee. No adjustment shall be made for dividends (ordinary or extraordinary, and whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 14.

Engagement Rights. Neither the adoption, maintenance nor operation of this

Plan shall confer upon any Eligible Participant of the Company or of a parent or subsidiary corporation of the Company any right with respect to the continuance of his Engagement by any of such corporations, nor shall they interfere in any way with the right of any of such corporations to terminate the Engagement of any Eligible Participant.

17. Termination and Amendment of the Plan. The Board may at any time

terminate this Plan or make such modifications to the Plan as it shall deem advisable, except that no amendment of this Plan shall (a) increase the

aggregate number of shares of Stock which may be issued under this Plan (except pursuant to Section 14), materially increase the benefits accruing to participants in the Plan or make any change in the designation of the Eligible Participants or class of Eligible Participants eligible to receive Options under this Plan without the approval of the stockholders of the Company; (b) impair the rights or increase the obligations of any Optionee under any Option theretofore granted under this Plan without the written consent of such Optionee; or (c) cause any Option at any time granted under this Plan to fail to qualify as an incentive stock option under Section 422A of the Code.

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18. Notices. Any communication or notice required or permitted to be

given under this Plan shall be in writing and mailed by registered or certified mail or delivered in hand, if to the Company, to its Treasurer at Parametric Technology Corporation, 128 Technology Drive, Waltham, Massachusetts 02154 and, if to an Optionee, to such address as the Optionee shall last have furnished to the communicating party.

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