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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2016

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-34630

ASPEN TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**04-2739697**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
20 Crosby Drive **Bedford, Massachusetts**	**01730**
(Address of principal executive offices)	(Zip Code)

(781) 221-6400
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes ☐ No ☒

As of October 20, 2016, there were 77,231,153 shares of the registrant's common stock (par value $0.10 per share) outstanding.

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aspenONE is one of our registered trademarks. All other trade names, trademarks and service marks appearing in this Form 10-Q are the property of their respective owners.

Our fiscal year ends on June 30, and references to a specific fiscal year are to the twelve months ended June 30 of such year (for example, "fiscal 2017" refers to the year ending June 30, 2017).

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Consolidated Financial Statements (unaudited)

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,	
	2016	2015
	(Dollars in Thousands, Except per Share Data)	
Revenue:		
Subscription and software	$ 113,444	$ 111,859
Services and other	6,606	8,437
Total revenue	120,050	120,296
Cost of revenue:		
Subscription and software	5,069	5,242
Services and other	6,437	7,730
Total cost of revenue	11,506	12,972
Gross profit	108,544	107,324
Operating expenses:		
Selling and marketing	22,025	22,436
Research and development	18,632	16,597
General and administrative	13,157	12,862
Total operating expenses, net	53,814	51,895
Income from operations	54,730	55,429
Interest income	272	82
Interest expense	(869)	(1)
Other income, net	646	896
Income before provision for income taxes	54,779	56,406
Provision for income taxes	19,779	19,635
Net income	$ 35,000	$ 36,771
Net income per common share:		
Basic	$ 0.44	$ 0.44
Diluted	$ 0.44	$ 0.44
Weighted average shares outstanding:		
Basic	79,048	83,876
Diluted	79,385	84,320

See accompanying Notes to these unaudited consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,	
	2016	2015
	(Dollars in Thousands)	
Net income	$ 35,000	$ 36,771
Other comprehensive loss:		
Net unrealized gains (losses) on available for sale securities, net of tax effects of $15 and ($12) for the three months ended September 30, 2016 and 2015, respectively	(26)	23
Foreign currency translation adjustments	(904)	(1,733)
Total other comprehensive loss	(930)	(1,710)
Comprehensive income	$ 34,070	$ 35,061

See accompanying Notes to these unaudited consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2016	June 30, 2016
	(Dollars in Thousands, Except Share Data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48,377	$ 318,336
Short-term marketable securities	143,174	3,006
Accounts receivable, net	21,847	20,476
Prepaid expenses and other current assets	12,154	13,948
Prepaid income taxes	112	5,557
Total current assets	225,664	361,323
Property, equipment and leasehold improvements, net	15,766	15,825
Computer software development costs, net	680	720
Goodwill	25,278	23,438
Intangible assets, net	9,067	5,000
Non-current deferred tax assets	12,264	12,236
Other non-current assets	1,225	1,196
Total assets	$ 289,944	$ 419,738
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 3,754	$ 3,559
Accrued expenses and other current liabilities	29,968	36,105
Income taxes payable	11,838	439
Borrowings under credit agreement	140,000	140,000
Current deferred revenue	226,105	252,520
Total current liabilities	411,665	432,623
Non-current deferred revenue	28,097	29,558
Other non-current liabilities	33,767	32,591
Commitments and contingencies (Note 16)		
Series D redeemable convertible preferred stock, $0.10 par value— Authorized— 3,636 shares as of September 30, 2016 and June 30, 2016 Issued and outstanding— none as of September 30, 2016 and June 30, 2016	—	—
Stockholders' deficit:		
Common stock, $0.10 par value— Authorized—210,000,000 shares Issued— 102,218,791 shares at September 30, 2016 and 102,031,960 shares at June 30, 2016 Outstanding— 77,468,068 shares at September 30, 2016 and 80,177,950 shares at June 30, 2016	10,222	10,203
Additional paid-in capital	646,647	659,287
Retained earnings (deficit)	29,324	(5,676)
Accumulated other comprehensive income	1,721	2,651
Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016 and 21,854,010 shares at June 30, 2016	(871,499)	(741,499)
Total stockholders' deficit	(183,585)	(75,034)
Total liabilities and stockholders' deficit	$ 289,944	$ 419,738

See accompanying Notes to these unaudited consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended September 30,	
	2016	2015
	(Dollars in Thousands)	
Cash flows from operating activities:		
Net income	$ 35,000	$ 36,771
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,791	1,547
Net foreign currency gains	(745)	(1,189)
Stock-based compensation	4,958	4,423
Deferred income taxes	(46)	—
Provision for (recovery from) bad debts	(7)	26
Tax benefits from stock-based compensation	584	1,577
Excess tax benefits from stock-based compensation	(584)	(1,577)
Other non-cash operating activities	90	159
Changes in assets and liabilities:		
Accounts receivable	(1,355)	8,769
Prepaid expenses, prepaid income taxes, and other assets	1,885	812
Accounts payable, accrued expenses, income taxes payable and other liabilities	12,520	2,348
Deferred revenue	(27,841)	(35,220)
Net cash provided by operating activities	26,250	18,446
Cash flows from investing activities:		
Purchases of marketable securities	(193,748)	—
Maturities of marketable securities	53,184	10,370
Purchases of property, equipment and leasehold improvements	(898)	(1,119)
Payments for business acquisitions	(5,400)	—
Payments for capitalized computer software costs	(51)	—
Net cash (used in) provided by investing activities	(146,913)	9,251
Cash flows from financing activities:		
Exercises of stock options	3,089	611
Repurchases of common stock	(151,621)	(55,033)
Payments of tax withholding obligations related to restricted stock	(1,297)	(1,125)
Excess tax benefits from stock-based compensation	584	1,577
Net cash used in financing activities	(149,245)	(53,970)
Effect of exchange rate changes on cash and cash equivalents	(51)	(237)
Decrease in cash and cash equivalents	(269,959)	(26,510)
Cash and cash equivalents, beginning of period	318,336	156,249
Cash and cash equivalents, end of period	$ 48,377	$ 129,739
Supplemental disclosure of cash flow information:		
Income taxes paid, net	$ 1,239	$ 2,895
Interest paid	850	1
Supplemental disclosure of non-cash investing and financing activities:		
Change in purchases of property, equipment and leasehold improvements included in accounts payable and accrued expenses	$ 506	$ (631)
Change in common stock repurchases included in accrued expenses	(1,621)	33

See accompanying Notes to these unaudited consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Interim Unaudited Consolidated Financial Statements

The accompanying interim unaudited consolidated financial statements of Aspen Technology, Inc. and its subsidiaries have been prepared on the same basis as our annual consolidated financial statements. We have omitted certain information and footnote disclosures normally included in our annual consolidated financial statements. Such interim unaudited consolidated financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP), as defined in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 270, *Interim Reporting*, for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. It is suggested that these unaudited consolidated financial statements be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2016, which are contained in our Annual Report on Form 10-K, as previously filed with the U.S. Securities and Exchange Commission (SEC). In the opinion of management, all adjustments, consisting of normal and recurring adjustments, considered necessary for a fair presentation of the financial position, results of operations, and cash flows at the dates and for the periods presented have been included and all intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three months ended September 30, 2016 are not necessarily indicative of the results to be expected for the subsequent quarter or for the full fiscal year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Unless the context requires otherwise, references to we, our and us refer to Aspen Technology, Inc. and its subsidiaries.

2. Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Aspen Technology, Inc. and our wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

(b) Significant Accounting Policies

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016. There were no material changes to our significant accounting policies during the three months ended September 30, 2016.

(c) Revenue Recognition

We generate revenue from the following sources: (1) Subscription and software revenue; and (2) Services and other revenue. We sell our software products to end users primarily under fixed-term licenses. We license our software products primarily through a subscription offering which we refer to as our aspenONE licensing model. Our aspenONE products are organized into two suites: 1) engineering and 2) manufacturing and supply chain, or MSC. The aspenONE licensing model provides customers with access to all of the products within the aspenONE suite(s) they license. We refer to these arrangements as token arrangements. Tokens are fixed units of measure. The amount of software usage is limited by the number of tokens purchased by the customer.

We also license our software through point product term arrangements, which include software maintenance and support, known as our Premier Plus SMS offering, for the entire term, as well as perpetual license arrangements.

Four basic criteria must be satisfied before software license revenue can be recognized: persuasive evidence of an arrangement between us and an end user; delivery of our product has occurred; the fee for the product is fixed or determinable; and collection of the fee is probable.

Persuasive evidence of an arrangement—We use a signed contract as evidence of an arrangement for software licenses and SMS. For professional services we use a signed contract and a work proposal to evidence an arrangement. In cases where both a signed contract and a purchase order are required by the customer, we consider both taken together as evidence of the arrangement.

Delivery of our product—Software and the corresponding access keys are generally delivered to customers via electronic delivery or via physical medium with standard shipping terms of Free Carrier, our warehouse (i.e., FCA, named place). Our software license agreements do not contain conditions for acceptance.

Fee is fixed or determinable—We assess whether a fee is fixed or determinable at the outset of the arrangement. Significant judgment is involved in making this assessment.

As a standard business practice, we offer fixed-term license arrangements, which are generally payable on an annual basis.

We cannot assert that the fees under our aspenONE licensing model and point product arrangements with Premier Plus SMS are fixed or determinable because of the rights provided to customers and economics of the arrangements and because we do not have an established history of collecting under the terms of these contracts without providing concessions to customers. As a result, the amount of revenue recognized for these arrangements is limited by the amount of customer payments that become due.

Collection of fee is probable—We assess the probability of collecting from each customer at the outset of the arrangement based on a number of factors, including the customer's payment history, its current creditworthiness, economic conditions in the customer's industry and geographic location, and general economic conditions. If in our judgment collection of a fee is not probable, revenue is recognized as cash is collected, provided all other conditions for revenue recognition have been met.

Vendor-Specific Objective Evidence of Fair Value (VSOE)

We have established VSOE for professional services and certain training offerings, but not for our software products or our SMS offerings. We assess VSOE for SMS, professional services, and training, based on an analysis of standalone sales of the offerings using the bell-shaped curve approach. We do not have a history of selling our Premier Plus SMS offering to customers on a standalone basis, and as a result are unable to establish VSOE for this deliverable.

We allocate the arrangement consideration among the elements included in our multi-element arrangements using the residual method. Under the residual method, the VSOE of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as revenue upon delivery of the software, assuming all other revenue recognition criteria are met. If VSOE does not exist for an undelivered element in an arrangement, revenue is deferred until such evidence does exist for the undelivered elements, or until all elements are delivered, whichever is earlier.

Subscription and Software Revenue

Subscription and software revenue consists primarily of product and related revenue from our (i) aspenONE licensing model; (ii) point product arrangements with our Premier Plus SMS offering included for the contract term; and (iii) perpetual arrangements.

When a customer elects to license our products under our aspenONE licensing model, our Premier Plus SMS offering is included for the entire term of the arrangement and the customer receives, for the term of the arrangement, the right to any new unspecified future software products and updates that may be introduced into the licensed aspenONE software suite. Due to our obligation to provide unspecified future software products and updates, we are required to recognize revenue ratably over the term of the arrangement, once the other revenue recognition criteria noted above have been met.

Our point product arrangements with Premier Plus SMS include SMS for the term of the arrangement. Since we do not have VSOE for our Premier Plus SMS offering, the SMS element of our point product arrangements is not separable. As a result, revenue associated with point product arrangements with Premier Plus SMS included for the contract term is recognized ratably over the term of the arrangement, once the other revenue recognition criteria have been met.

Services and Other Revenue

Professional Services Revenue

Professional services are provided to customers on a time-and-materials (T&M) or fixed-price basis. We recognize professional services fees for our T&M contracts based upon hours worked and contractually agreed-upon hourly rates. Revenue from fixed-price engagements is recognized using the proportional performance method based on the ratio of costs incurred to the total estimated project costs. Project costs are typically expensed as incurred. The use of the proportional performance method is dependent upon our ability to reliably estimate the costs to complete a project. We use historical experience as a basis for future estimates to complete current projects. Additionally, we believe that costs are the best available measure of performance. Out-of-pocket expenses which are reimbursed by customers are recorded as revenue.

In certain circumstances, professional services revenue may be recognized over a longer time period than the period over which the services are performed. If the costs to complete a project are not estimable or the completion is uncertain, the revenue is recognized upon completion of the services. In circumstances in which professional services are sold as a single arrangement with, or in contemplation of, a new aspenONE license or point product arrangement with Premier Plus SMS, revenue is deferred and recognized on a ratable basis over the longer of (i) the period the services are performed, or (ii) the license term. When we provide professional services considered essential to the functionality of the software, we recognize the combined revenue from the sale of the software and related services using the completed contract or percentage-of-completion method.

We have occasionally been required to commit unanticipated additional resources to complete projects, which resulted in losses on those contracts. Provisions for estimated losses on contracts are made during the period in which such losses become probable and can be reasonably estimated.

Training Revenue

We provide training services to our customers, including on-site, Internet-based, public and customized training. Revenue is recognized in the period in which the services are performed. In circumstances in which training services are sold as a single arrangement with, or in contemplation of, a new aspenONE license or point product arrangement with Premier Plus SMS, revenue is deferred and recognized on a ratable basis over the longer of (i) the period the services are performed or (ii) the license term.

Deferred Revenue

Deferred revenue includes amounts billed or collected in advance of revenue recognition, including arrangements under the aspenONE licensing model, point product arrangements with Premier Plus SMS, professional services, and training. Under the aspenONE licensing model and for point product arrangements with Premier Plus SMS, VSOE does not exist for the undelivered elements, and as a result, the arrangement fees are recognized ratably (i.e., on a subscription basis) over the term of the license. Deferred revenue is recorded as each invoice becomes due.

Other Licensing Matters

Our standard licensing agreements include a product warranty provision. We have not experienced significant claims related to software warranties beyond the scope of SMS support, which we are already obligated to provide, and consequently, we have not established reserves for warranty obligations.

Our agreements with our customers generally require us to indemnify the customer against claims that our software infringes third-party patent, copyright, trademark or other proprietary rights. Such indemnification obligations are generally limited in a variety of industry-standard respects, including our right to replace an infringing product. As of September 30, 2016 and June 30, 2016, we had not experienced any material losses related to these indemnification obligations and no claims with respect thereto were outstanding. We do not expect significant claims related to these indemnification obligations, and consequently, have not established any related reserves.

(d) Loss Contingencies

We accrue estimated liabilities for loss contingencies arising from claims, assessments, litigation and other sources when it is probable that a liability has been incurred and the amount of the claim, assessment or damages can be reasonably estimated. We believe that we have sufficient accruals to cover any obligations resulting from claims, assessments or litigation that have met these criteria. Please refer to Note 16 for discussion of these matters and related liability accruals.

(e) Foreign Currency Transactions

Foreign currency exchange gains and losses generated from the settlement and remeasurement of transactions denominated in currencies other than the functional currency of our subsidiaries are recognized in our results of operations as incurred as a component of other income, net. Net foreign currency gains were $0.6 million and $0.9 million during the three-months ended September 30, 2016 and 2015, respectively.

(f) Research and Development Expense

We charge research and development expenditures to expense as the costs are incurred. Research and development expenses consist primarily of personnel expenses related to the creation of new products, enhancements and engineering changes to existing products and costs of acquired technology prior to establishing technological feasibility.

In the three months ended September 30, 2016 and September 30, 2015, we acquired technology for $0.4 million and $0.3 million, respectively. At the time we acquired the technology, the projects to develop commercially available products did not meet the accounting definition of having reached technological feasibility and therefore the cost of the acquired technology was expensed as a research and development expense.

(g) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*, and requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued and amended, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, though early adoption is permitted for annual reporting periods beginning after December 15, 2016. We will adopt ASU No. 2014-09 during the first quarter of fiscal 2019. We are currently evaluating the impact of ASU No. 2014-09 on our consolidated financial statements, implementing accounting system changes related to the adoption, and considering additional disclosure requirements.

In April 2015, the FASB issued ASU No. 2015-05, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. The amendment provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the arrangement does not include a software license, the customer should account for a cloud computing arrangement as a service contract. The amendment was effective for annual reporting periods beginning on or after December 15, 2015. We adopted ASU No. 2015-05 during the first quarter of fiscal 2017. The adoption of ASU No. 2015-05 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the amendment, lessees will be required to recognize virtually all of their leases on the balance sheet, by recording a right-of-use asset and lease liability. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the impact of ASU No. 2016-02 on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The amendment identifies several areas for simplification applicable to entities that issue share-based payment awards to their employees, including income tax consequences, the option to recognize gross stock compensation expense with actual forfeitures recognized when they occur, and certain classifications on the statements of cash flows. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the impact of ASU No. 2016-09 on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326).* The amendment changes the impairment model for most financial assets and certain other instruments. Entities will be required to use a model

that will result in the earlier recognition of allowances for losses for trade and other receivables, held-to-maturity debt securities, loans, and other instruments. For available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of ASU No. 2016-13 on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)*. The amendment updates the guidance as to how certain cash receipts and cash payments should be presented and classified, and is intended to reduce the existing diversity in practice. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. We are currently evaluating the impact of ASU No. 2016-15 on our consolidated financial statements.

3. Marketable Securities

The following table summarizes the fair value, the amortized cost and unrealized holding gains (losses) on our marketable securities as of September 30, 2016 and June 30, 2016:

	Fair Value	Cost	Unrealized Gains	Unrealized Losses
	(Dollars in Thousands)			
September 30, 2016:				
U.S. corporate bonds	$ 143,174	$ 143,215	$ —	$ (41)
Total short-term marketable securities	$ 143,174	$ 143,215	$ —	$ (41)
June 30, 2016:				
U.S. corporate bonds	$ 3,006	$ 3,006	$ —	$ —
Total short-term marketable securities	$ 3,006	$ 3,006	$ —	$ —

Our marketable securities were classified as available-for-sale and reported at fair value on the unaudited consolidated balance sheets. Net unrealized gains (losses) were reported as a separate component of accumulated other comprehensive income, net of tax. Realized gains (losses) on investments were recognized in earnings as incurred. Our investments consisted primarily of investment grade fixed income corporate debt securities with maturity dates ranging from October 2016 through May 2017 as of September 30, 2016 and August 2016 as of June 30, 2016.

4. Fair Value

We determine fair value by utilizing a fair value hierarchy that ranks the quality and reliability of the information used in its determination. Fair values determined using “Level 1 inputs” utilize unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Fair values determined using “Level 2 inputs” utilize data points that are observable, such as quoted prices, interest rates and yield curves for similar assets and liabilities.

Cash equivalents of $30.8 million and $286.2 million as of September 30, 2016 and June 30, 2016, respectively, were reported at fair value utilizing quoted market prices in identical markets, or “Level 1 inputs.” Our cash equivalents consist of short-term, highly liquid investments with remaining maturities of three months or less when purchased.

Marketable securities of $143.2 million and $3.0 million as of September 30, 2016 and June 30, 2016, respectively, were reported at fair value calculated in accordance with the market approach, utilizing market consensus pricing models with quoted prices that were directly or indirectly observable, or “Level 2 inputs.”

Financial instruments not measured or recorded at fair value in the accompanying unaudited consolidated financial statements consist of accounts receivable, installments receivable, accounts payable and accrued liabilities. The estimated fair value of these financial instruments approximates their carrying value. The estimated fair value of the borrowings under the Credit Agreement (described below in Note 11, Credit Agreement) approximates its carrying value due to the floating interest rate.

5. Accounts Receivable

Our accounts receivable, net of the related allowance for doubtful accounts, were as follows as of September 30, 2016 and June 30, 2016:

	Gross	Allowance	Net
	(Dollars in Thousands)		
September 30, 2016:			
Accounts receivable	$ 23,155	$ 1,308	$ 21,847
	$ 23,155	$ 1,308	$ 21,847
June 30, 2016:			
Accounts receivable	$ 22,080	$ 1,604	$ 20,476
	$ 22,080	$ 1,604	$ 20,476

As of September 30, 2016, we had two customer receivable balances that individually represented approximately 22% and 13% of our total receivables. The balance that represented approximately 22% of our total receivables as of September 30, 2016 was collected subsequent to September 30, 2016.

6. Property and Equipment

Property, equipment and leasehold improvements in the accompanying unaudited consolidated balance sheets consisted of the following:

	September 30, 2016	June 30, 2016
	(Dollars in Thousands)	
Property, equipment and leasehold improvements - at cost:		
Computer equipment	$ 10,590	$ 10,387
Purchased software	23,354	23,705
Furniture & fixtures	6,990	6,712
Leasehold improvements	13,122	12,523
Accumulated depreciation	(38,290)	(37,502)
Property, equipment and leasehold improvements - net	$ 15,766	$ 15,825

7. Acquisitions

On October 26, 2016, we completed the acquisition of all the outstanding shares of Mtelligence Corporation ("Mtelligence"), a California-based provider of predictive and prescriptive maintenance software and related services used to optimize asset performance, for total cash consideration of $37.4 million. The purchase price consisted of $31.9 million of cash paid at closing and up to an additional $5.5 million to be held back until April 2018 as security for certain obligations of the Sellers.

In August 2016, we acquired certain technology and trademarks for total cash consideration of $6.0 million. The purchase price consisted of $5.4 million of cash paid at closing and up to an additional $0.6 million to be paid in August 2017. The acquisition met the definition of a business combination as it contained inputs and processes that are capable of being operated as a business. The preliminary allocation of the purchase price as of September 30, 2016 allocated $4.0 million to developed technology and $2.0 million to goodwill. The fair value of the developed technology of $4.0 million was determined using the replacement cost approach. The developed technology is being amortized on a straight-line basis over its estimated useful life of 6 years. The acquisition is treated as an asset purchase for tax purposes and accordingly, the goodwill resulting from the acquisition is expected to be deductible.

Fidelis Group, LLC

In June 2016, we completed the acquisition of all the outstanding shares of Fidelis Group, LLC ("Fidelis"), a provider of asset reliability software used to predict and optimize asset performance. The purchase price consisted of $8.0 million of cash paid at closing and up to an additional $2.0 million to be paid in December 2017.

A preliminary allocation of the purchase price is as follows. The valuation of the net assets acquired and the deferred tax liabilities, including adjustments identified subsequent to the acquisition date, are considered preliminary as of September 30, 2016.

	Amount
	(Dollars in Thousands)
Tangible assets acquired, net	$ 65
Identifiable intangible assets:	
Developed technology	1,272
Customer relationships	753
In-process research and development	3,097
Goodwill	6,706
Deferred tax liabilities, net	(1,893)
Total assets acquired	$ 10,000

We used the income approach to determine the values of the identifiable intangible assets. The weighted-average discount rate (or rate of return) used to determine the value of the Fidelis intangible assets was 18% and the effective tax rate used was 34%. The values of the developed technology, in-process research and development and customer relationships are being amortized on a straight-line basis over their estimated useful lives of 10 years, 11 years and 8 years, respectively. The in-process research and development will begin amortization upon completion, which is expected in fiscal 2017.

The goodwill, which is not deductible for tax purposes, reflects the value of the assembled workforce and the company-specific synergies we expect to realize by selling Fidelis products and services to our existing customers. The results of operations of Fidelis have been included prospectively in our results of operations since the date of acquisition.

8. Intangible Assets

We include in our amortizable intangible assets those intangible assets acquired in our business and asset acquisitions. We amortize acquired intangible assets with finite lives over their estimated economic lives, generally using the straight-line method. Each period, we evaluate the estimated remaining useful lives of acquired intangible assets to determine whether events or changes in circumstances warrant a revision to the remaining period of amortization. Acquired intangibles are removed from the accounts when fully amortized and no longer in use.

Intangible assets consist of the following as of September 30, 2016 and June 30, 2016:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Dollars in Thousands)		
September 30, 2016:			
Technology and patents	$ 7,868	$ (2,628)	$ 5,240
In process research & development	3,097	—	$ 3,097
Customer relationships	753	(23)	$ 730
Total	$ 11,718	$ (2,651)	$ 9,067
June 30, 2016:			
Technology and patents	$ 3,696	$ (2,596)	$ 1,100
In process research & development	$ 3,200	$ —	$ 3,200
Customer relationships	$ 700	$ —	$ 700
Total	$ 7,596	$ (2,596)	$ 5,000

Total amortization expense related to intangible assets is included in operating expenses and amounted to less than $0.1 million and $0.1 million for the three months ended September 30, 2016 and September 30, 2015, respectively. Amortization expense is expected to be approximately $0.7 million in fiscal 2017, $1.2 million in fiscal 2018, $1.2 million in fiscal 2019, $1.2 million in fiscal 2020, $1.2 million in fiscal 2021, and $3.6 million thereafter.

9. Goodwill

The changes in the carrying amount of goodwill for our subscription and software reporting unit during the three months ended September 30, 2016 was as follows:

	Gross Carrying Amount	Accumulated impairment losses	Effect of currency translation	Net Carrying Amount
	(Dollars in Thousands)			
Goodwill, net, at June 30, 2016	$ 89,007	$ (65,569)	$ —	$ 23,438
Goodwill from acquisition	2,000	—	—	2,000
Subsequent Fidelis goodwill adjustment	(78)	—	—	(78)
Foreign currency translation and other	—	—	(82)	(82)
Goodwill, net, at September 30, 2016	$ 90,929	$ (65,569)	$ (82)	$ 25,278

No triggering events indicating goodwill impairment occurred during the three months ended September 30, 2016.

10. Accrued Expenses and Other Liabilities

Accrued expenses and other current liabilities in the accompanying unaudited consolidated balance sheets consist of the following:

	September 30, 2016	June 30, 2016
	(Dollars in Thousands)	
Royalties and outside commissions	$ 2,657	$ 2,640
Payroll and payroll-related	11,247	17,809
Other	16,064	15,656
Total accrued expenses and other current liabilities	$ 29,968	$ 36,105

Other non-current liabilities in the accompanying unaudited consolidated balance sheets consist of the following:

	September 30, 2016	June 30, 2016
	(Dollars in Thousands)	
Deferred rent	$ 6,516	$ 6,361
Uncertain tax positions	20,778	23,535
Other	6,473	2,695
Total other non-current liabilities	$ 33,767	$ 32,591

11. Credit Agreement

On February 26, 2016, we entered into a $250.0 million Credit Agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative

agent, Silicon Valley Bank, as syndication agent, and the lenders and other parties named therein (the "Lenders"). The indebtedness evidenced by the Credit Agreement matures on February 26, 2021. Prior to the maturity of the Credit Agreement, any amounts borrowed may be repaid and, subject to the terms and conditions of the Credit Agreement, borrowed again in whole or in part without penalty. As of September 30, 2016, we had $140.0 million in outstanding borrowings under the Credit Agreement. Debt issuance costs related to the Credit Agreement were recorded in prepaid expenses and other current assets in our consolidated balance sheet.

Borrowings under the Credit Agreement bear interest at a rate equal to either, at our option, the sum of (a) the highest of (1) the rate of interest publicly announced by JPMorgan Chase Bank, N.A. as its prime rate in effect, (2) the Federal Funds Effective Rate plus 0.5%, and (3) the one-month Adjusted LIBO Rate plus 1.0%, *plus* (b) a margin initially of 0.5% for the first full fiscal quarter ending after the date of the Credit Agreement and thereafter based on our Leverage Ratio; or the Adjusted LIBO Rate plus a margin initially of 1.5% for the first full fiscal quarter ending after the date of the Credit Agreement and thereafter based on our Leverage Ratio. We must also pay, on a quarterly basis, an unused commitment fee at a rate of between 0.2% and 0.3% per annum, based on our Leverage Ratio. The interest rate as of September 30, 2016 was 2.03%.

All borrowings under the Credit Agreement are secured by liens on substantially all of our assets. The Credit Agreement contains affirmative and negative covenants customary for facilities of this type, including restrictions on: incurrence of additional debt; liens; fundamental changes; asset sales; restricted payments; and transactions with affiliates. The Credit Agreement contains financial covenants regarding maintenance as of the end of each fiscal quarter, commencing with the quarter ending June 30, 2016, of a maximum Leverage Ratio of 3.0 to 1.0 and a minimum Interest Coverage Ratio of 3.0 to 1.0. As of September 30, 2016 we were in compliance with these covenants.

12. Stock-Based Compensation

The weighted average estimated fair value of option awards granted during the three months ended September 30, 2016 and 2015 was $12.96 and $13.59, respectively.

We utilized the Black-Scholes option valuation model with the following weighted average assumptions:

	Three Months Ended September 30,	
	2016	**2015**
Risk-free interest rate	1.1%	1.4%
Expected dividend yield	0.0%	0.0%
Expected life (in years)	4.6	4.6
Expected volatility factor	31.5%	34.1%

The stock-based compensation expense and its classification in the unaudited consolidated statements of operations for the three months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30,	
	2016	**2015**
	(Dollars in Thousands)	
Recorded as expenses:		
Cost of services and other	$ 369	$ 357
Selling and marketing	955	912
Research and development	1,062	824
General and administrative	2,572	2,330
Total stock-based compensation	$ 4,958	$ 4,423

A summary of stock option and RSU activity under all equity plans for the three months ended September 30, 2016 is as follows:

	Stock Options				Restricted Stock Units	
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in 000's)	Shares	Weighted Average Grant Date Fair Value
Outstanding at June 30, 2016	1,314,142	$ 32.47	7.23	$ 12,340	493,332	$ 41.06
Granted	451,877	45.43			399,684	45.44
Settled (RSUs)	—				(85,469)	41.86
Exercised	(129,147)	24.34			—	
Cancelled / Forfeited	(35,905)	38.62			(29,432)	42.25
Outstanding at September 30, 2016	1,600,967	$ 36.65	7.92	$ 16,242	778,115	$ 43.18
Vested and exercisable at September 30, 2016	793,402	$ 29.79	6.61	$ 13,493	—	
Vested and expected to vest as of September 30, 2016	1,518,819	$ 36.26	7.86	$ 16,001	695,341	$ 43.12

The weighted average grant-date fair value of RSUs granted during the three months ended September 30, 2016 and 2015 was $45.44 and $44.33, respectively. During the three months ended September 30, 2016 and 2015, the total fair value of shares vested from RSU grants was $4.0 million and $3.4 million, respectively.

At September 30, 2016, the total future unrecognized compensation cost related to stock options was $9.3 million and is expected to be recorded over a weighted average period of 3.1 years. At September 30, 2016, the total future unrecognized compensation cost related to RSUs was $30.1 million and is expected to be recorded over a weighted average period of 3.1 years.

The total intrinsic value of options exercised during the three months ended September 30, 2016 and 2015 was $2.7 million and $0.9 million, respectively. We received $3.1 million and $0.6 million in cash proceeds from option exercises during the three months ended September 30, 2016 and 2015, respectively. We withheld $1.3 million and $1.1 million for withholding taxes on vested RSUs during the three months ended September 30, 2016 and 2015, respectively.

At September 30, 2016, common stock reserved for future issuance or settlement under equity compensation plans was 5.1 million shares.

13. Stockholders' Deficit

Stock Repurchases

On January 28, 2015, our Board of Directors approved a share repurchase program for up to $450.0 million worth of our common stock. On April 26, 2016, the Board of Directors approved a $400.0 million increase in the share repurchase plan. The timing and amount of any shares repurchased are based on market conditions and other factors. All shares of our common stock repurchased have been recorded as treasury stock under the cost method.

On August 29, 2016, as part of our common stock repurchase program, we entered into an accelerated share repurchase program (the "ASR Program") with a third-party financial institution. Pursuant to the terms of the ASR Program, we made an upfront payment of $100.0 million in exchange for an initial delivery of approximately 1.76 million shares of our common stock, representing 80% of the total shares ultimately expected to be delivered over the program's term. The initial shares received, which had an aggregate cost of $80.0 million based on the August 29, 2016 closing share price, were recorded as an increase to treasury stock. As of September 30, 2016, $20.0 million, representing the difference between the upfront $100.0 million payment and the $80.0 million cost of the initial share delivery, was recorded as a reduction to additional paid-in capital in our consolidated balance sheet.

At the ASR Program's conclusion, the financial institution may be required to deliver additional shares of common stock to us, or, under certain circumstances, we may be required to, at our election, deliver shares of our common stock or make a cash payment to the financial institution. Final settlement of the ASR Program is expected to occur during the second quarter of

fiscal 2017, with the number of shares to be delivered, or the amount of any cash payment to be made, determined based on the volume-weighted average price per share of our common stock over the term of the ASR Program, less an agreed-upon discount.

During the three months ended September 30, 2016 we repurchased 1,138,858 and 1,757,855 shares of our common stock for $50.0 million and $80.0 million in the open market and as part of the ASR Program, respectively.

As of September 30, 2016, the total remaining value under the share repurchase program approved on January 28, 2015 and amended on April 26, 2016 was approximately $371.3 million.

Accumulated Other Comprehensive Income

As of September 30, 2016, accumulated other comprehensive income was comprised of foreign currency translation adjustments of $1.8 million and net unrealized losses on available for sale securities of less than $0.1 million. As of September 30, 2015, accumulated other comprehensive income was comprised of foreign currency translation adjustments of $4.8 million and net unrealized gains on available for sale securities of less than $0.1 million.

As of June 30, 2016, accumulated other comprehensive income was comprised of foreign currency translation adjustments of $2.7 million and net unrealized losses on available for sale securities of less than $0.1 million. As of June 30, 2015, accumulated other comprehensive income was comprised of foreign currency translation adjustments of $6.5 million and net unrealized losses on available for sale securities of less than $0.1 million.

14. Net Income Per Share

Basic income per share is determined by dividing net income by the weighted average common shares outstanding during the period. Diluted income per share is determined by dividing net income by diluted weighted average shares outstanding during the period. Diluted weighted average shares reflect the dilutive effect, if any, of potential common shares. To the extent their effect is dilutive, employee equity awards and other commitments to be settled in common stock are included in the calculation of diluted net income per share based on the treasury stock method.

The calculations of basic and diluted net income per share and basic and dilutive weighted average shares outstanding for the three months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30,	
	2016	2015
	(Dollars and Shares in Thousands, Except per Share Data)	
Net income	$ 35,000	$ 36,771
Weighted average shares outstanding	79,048	83,876
Dilutive impact from:		
Share-based payment awards	337	444
Dilutive weighted average shares outstanding	79,385	84,320
Income per share		
Basic	$ 0.44	$ 0.44
Dilutive	$ 0.44	$ 0.44

For the three months ended September 30, 2016 and 2015, certain employee equity awards were anti-dilutive based on the treasury stock method. Additionally, options to purchase 762,113 shares of our common stock were not included in the computation of dilutive weighted average shares outstanding, as of September 30, 2016, because their exercise prices ranged from $44.38 per share to $47.40 per share and were greater than the average market price of our common stock during the periods then ended. These options were outstanding as of September 30, 2016 and expire at various dates through June 30, 2020.

The following employee equity awards were excluded from the calculation of dilutive weighted average shares outstanding because their effect would be anti-dilutive as of September 30, 2016 and 2015:

	Three Months Ended September 30,	
	2016	2015
	(Shares in Thousands)	
Employee equity awards	1,535	1,187

15. Income Taxes

The effective tax rate for the periods presented was primarily the result of income earned in the U.S., taxed at U.S. federal and state statutory income tax rates, income earned in foreign tax jurisdictions taxed at the applicable rates, as well as the impact of permanent differences between book and tax income.

Our effective tax rate for the three months ended September 30, 2016 was 36.1% as compared to 34.8% for the corresponding period of the prior fiscal year. Our effective tax rate increased for the three months ended September 30, 2016 compared to the same period in 2015 primarily due to an increase in the uncertain tax positions liability. During the three months ended September 30, 2016 and 2015, our income tax expense was driven primarily by pre-tax profitability in our domestic and foreign operations, the impact of permanent items, and an increase in the uncertain tax positions liability mentioned above. The permanent items are predominantly a U.S. domestic production activity deduction being slightly offset by non-deductible stock-based compensation expense.

We use the "with and without" ordering approach to calculate our tax provision when necessary. This methodology requires us to utilize all other tax attributes before recognizing excess tax benefits. Excess tax benefits are generated when the deductible value of stock-based compensation for income tax purposes exceeds the value recognized for financial statement purposes. Excess tax benefits are not included as a component of deferred tax assets. When realized, excess tax benefits reduce income taxes payable and increase additional paid in capital. In our unaudited consolidated statements of cash flows, the excess tax benefits of $0.6 million and $1.6 million were reported as sources of cash flows from financing activities with offsetting reductions to cash flows from operating activities during the three months ended September 30, 2016 and 2015, respectively.

Deferred income taxes are recognized based on temporary differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the statutory tax rates and laws expected to apply to taxable income in the years in which the temporary differences are expected to reverse. Valuation allowances are provided against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the timing of the temporary differences becoming deductible. Management considers, among other available information, scheduled reversals of deferred tax liabilities, projected future taxable income, limitations of availability of net operating loss carryforwards, and other matters in making this assessment.

We do not provide deferred taxes on unremitted earnings of foreign subsidiaries since we intend to indefinitely reinvest those earnings either currently or sometime in the foreseeable future. Unrecognized provisions for taxes on undistributed earnings of foreign subsidiaries, which are considered indefinitely reinvested, are not material to our consolidated financial position or results of operations.

16. Commitments and Contingencies

Operating Leases

We lease certain facilities under non-cancellable operating leases with terms in excess of one year. Rental expense on leased facilities under operating leases was approximately $2.2 million and $2.1 million during the three months ended September 30, 2016 and 2015, respectively.

Standby letters of credit for $3.0 million as of September 30, 2016 secure our performance on professional services contracts, certain facility leases and potential liabilities. This is a decrease from $3.5 million as of June 30, 2016. The letters of credit expire at various dates through fiscal 2018.

Legal Matters

In the ordinary course of business, we are, from time to time, involved in lawsuits, claims, investigations, proceedings and threats of litigation. These matters include an April 2004 claim by a customer that certain of our software products and implementation services failed to meet the customer's expectations. In March 2014, a judgment was issued by the trial court against us in the amount of approximately 1.9 million Euro ("€") plus interest and a portion of legal fees. We subsequently filed an appeal of that judgment. As of September 2016, the appellate court determined that we are liable for damages in the amount of approximately €1.7 million plus interest, with the possibility of additional damages to be determined in further proceedings by the appellate court.

While the outcome of the proceedings and claims referenced above cannot be predicted with certainty, there were no such matters, as of September 30, 2016 that, in the opinion of management, are reasonably possible to have a material adverse effect on our financial position, results of operations or cash flows. Liabilities, if applicable, related to the aforementioned matters discussed in this Note have been included in our accrued liabilities at September 30, 2016, and are not material to our financial position for the period then ended. As of September 30, 2016, we do not believe that there is a reasonable possibility of a material loss exceeding the amounts already accrued for the proceedings or matters discussed above. However, the results of litigation (including the above-referenced appeal) and claims cannot be predicted with certainty; unfavorable resolutions are possible and could materially affect our results of operations, cash flows or financial position. In addition, regardless of the outcome, litigation could have an adverse impact on us because of attorneys' fees and costs, diversion of management resources and other factors.

17. Segment Information

Operating segments are defined as components of an enterprise that engage in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and to assess performance. Our chief operating decision maker is our President and Chief Executive Officer.

The subscription and software segment is engaged in the licensing of process optimization software solutions and associated support services. The services segment includes professional services and training. We do not track assets or capital expenditures by operating segments. Consequently, it is not practical to present assets, capital expenditures, depreciation or amortization by operating segments.

The following table presents a summary of our reportable segments' profits:

	Subscription and software	Services	Total
	(Dollars in Thousands)		
Three Months Ended September 30, 2016			
Segment revenue	$ 113,444	$ 6,606	$ 120,050
Segment expenses (1)	(45,726)	(6,437)	(52,163)
Segment profit	$ 67,718	$ 169	$ 67,887
Three Months Ended September 30, 2015			
Segment revenue	$ 111,859	$ 8,437	$ 120,296
Segment expenses (1)	(44,275)	(7,730)	(52,005)
Segment profit	$ 67,584	$ 707	$ 68,291

(1) Our reportable segments' operating expenses include expenses directly attributable to the segments. Segment expenses include selling and marketing, research and development, stock-based compensation and certain corporate expenses incurred in support of the segments. Segment expenses do not include allocations of general and administrative; interest income, net; and other income, net.

Reconciliation to Income before Income Taxes

The following table presents a reconciliation of total segment profit to income before income taxes for the three months ended September 30, 2016 and 2015:

	Three Months Ended September 30,	
	2016	2015
	(Dollars in Thousands)	
Total segment profit for reportable segments	$ 67,887	$ 68,291
General and administrative	(13,157)	(12,862)
Other income, net	646	896
Interest income (expense), net	(597)	81
Income before income taxes	$ 54,779	$ 56,406

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion in conjunction with our unaudited consolidated financial statements and related and notes thereto contained in this report. In addition to historical information, this discussion contains forward-looking statements that involve risks and uncertainties. You should read "Item 1A. Risk Factors," of Part II for a discussion of important factors that could cause our actual results to differ materially from our expectations.

Our fiscal year ends on June 30th, and references in this Quarterly Report to a specific fiscal year are to the twelve months ended June 30th of such year (for example, "fiscal 2017" refers to the year ending on June 30, 2017).

Recent Events

On October 26, 2016, we completed the acquisition of all the outstanding shares of Mtelligence Corporation ("Mtelligence"), a California-based provider of predictive and prescriptive maintenance software and related services used to optimize asset performance, for total cash consideration of $37.4 million. The purchase price consisted of $31.9 million of cash paid at closing and up to an additional $5.5 million to be held back until April 2018 as security for certain obligations of the Sellers.

Business Overview

We are a leading global provider of process optimization software solutions designed to manage and optimize plant and process design, operational performance, and supply chain planning. Our aspenONE software and related services have been developed specifically for companies in the process industries, including the energy, chemicals, and engineering and construction industries. Customers use our solutions to improve their competitiveness and profitability by increasing throughput and productivity, reducing operating costs, enhancing capital efficiency, and decreasing working capital requirements.

Our software incorporates our proprietary mathematical and empirical models of manufacturing and planning processes and reflects the deep domain expertise we have amassed from focusing on solutions for the process industries for over 35 years. We have developed our applications to design and optimize processes across three principal business areas: engineering, manufacturing and supply chain. We are a recognized market and technology leader in providing process optimization software for each of these business areas.

We have established sustainable competitive advantages within our industry based on the following strengths:

- Innovative products that can enhance our customers' profitability;
- Long-term customer relationships;
- Large installed base of users of our software; and
- Long-term license contracts.

We have approximately 2,100 customers globally. Our customers consist of companies engaged in process industries such as energy, chemicals, engineering and construction, as well as consumer packaged goods, power, metals and mining, pulp and paper, pharmaceuticals and biofuels.

Business Segments

We have two operating and reportable segments: i) subscription and software and ii) services. The subscription and software segment is engaged in the licensing of process optimization software solutions and associated support services. The services segment includes professional services and training.

Key Components of Operations

Revenue

We generate revenue primarily from the following sources:

Subscription and Software Revenue. We sell our software products to end users primarily under fixed-term licenses. We license our software products primarily through a subscription offering which we refer to as our aspenONE licensing model. Our aspenONE products are organized into two suites: 1) engineering, and 2) manufacturing and supply chain, or MSC. The aspenONE licensing model provides customers with access to all of the products within the aspenONE suite(s) they license. Customers can change or alternate the use of multiple products in a licensed suite through the use of exchangeable units of measurement, called tokens, licensed in quantities determined by the customer. This licensing system enables customers to use products as needed and to experiment with different products to best solve whatever critical business challenges they face. Customers can increase their usage of our software by purchasing additional tokens as business needs evolve.

We provide customers technical support, access to software fixes and updates and the right to any new unspecified future software products and updates that may be introduced into the licensed aspenONE software suite. Our technical support services are provided from our customer support centers throughout the world, as well as via email and through our support website.

We also license our software through point product arrangements with our Premier Plus SMS offering included for the contract term, as well as perpetual license arrangements.

Services and Other Revenue. We provide training and professional services to our customers. Our professional services are focused on implementing our technology in order to improve customers' plant performance and gain better operational data. Customers who use our professional services typically engage us to provide those services over periods of up to 24 months. We charge customers for professional services on a time-and-materials or fixed-price basis. We provide training services to our customers, including on-site, Internet-based and customized training.

Our services and other revenue consists of revenue related to professional services and training. The amount and timing of this revenue depend on a number of factors, including:

- whether the professional services arrangement was sold as a single arrangement with, or in contemplation of, a new aspenONE licensing arrangement;
- the number, value and rate per hour of service transactions booked during the current and preceding periods;
- the number and availability of service resources actively engaged on billable projects;
- the timing of milestone acceptance for engagements contractually requiring customer sign-off;
- the timing of collection of cash payments when collectability is uncertain; and
- the size of the installed base of license contracts.

Cost of Revenue

Cost of Subscription and Software. Our cost of subscription and software revenue consists of (i) royalties, (ii) amortization of capitalized software and purchased technology intangibles, (iii) distribution fees, and (iv) costs of providing Premier Plus SMS bundled with our aspenONE licensing and point product arrangements.

Cost of Services and Other. Our cost of services and other revenue consists primarily of personnel-related and external consultant costs associated with providing customers professional services and training.

Operating Expenses

Selling and Marketing Expenses. Selling expenses consist primarily of the personnel and travel expenses related to the effort expended to license our products and services to current and potential customers, as well as for overall management of customer relationships. Marketing expenses include expenses needed to promote our company and our products and to conduct market research to help us better understand our customers and their business needs.

Research and Development Expenses. Research and development expenses consist primarily of personnel expenses related to the creation of new software products, enhancements and engineering changes to existing products and costs of acquired technology prior to establishing technological feasibility.

General and Administrative Expenses. General and administrative expenses include the costs of corporate and support functions, such as executive leadership and administration groups, finance, legal, human resources and corporate communications, and other costs, such as outside professional and consultant fees and provision for bad debts.

Other Income and Expenses

Interest Income. Interest income is recorded for the accretion of interest on the investment in marketable securities and short-term money market instruments.

Interest Expense. During the three months ended September 30, 2016 , interest expense is primarily related to our Credit Agreement. During the three months ended September 30, 2015, interest expense was comprised of miscellaneous interest charges.

Other Income, Net. Other income, net is comprised primarily of foreign currency exchange gains (losses) generated from the settlement and remeasurement of transactions denominated in currencies other than the functional currency of our operating units.

Provision for Income Taxes. Provision for income taxes is comprised of domestic and foreign taxes. Benefits from income taxes are comprised of any deferred benefit for tax deductions and credits that we expect to utilize in the future. We record interest and penalties related to income tax matters as a component of income tax expense. We expect the amount of income tax expense to vary each reporting period depending upon fluctuations in our taxable income by jurisdiction.

Key Business Metrics

We utilize certain key non-GAAP and other business measures to track and assess the performance of our business and we make these measures available to investors. We have refined the set of appropriate business metrics in the context of our evolving business and use the following non-GAAP business metrics in addition to GAAP measures to track our business performance:

- Annual spend;
- Free cash flow; and
- Non-GAAP operating income.

None of these metrics should be considered as an alternative to any measure of financial performance calculated in accordance with GAAP.

Annual Spend

Annual spend is an estimate of the annualized value of our portfolio of term license arrangements, as of a specific date. Management believes that this financial measure is a useful metric to investors as it provides insight into the growth component of license bookings during a fiscal period. Annual spend is calculated by summing the most recent annual invoice value of each of our active term license contracts. Annual spend also includes the annualized value of standalone SMS agreements purchased in conjunction with term license agreements. Comparing annual spend for different dates can provide insight into the growth and retention rates of our business, and since annual spend represents the estimated annualized billings associated with our active term license agreements, it provides insight into the future value of subscription and software revenue.

Annual spend increases as a result of:

- New term license agreements with new or existing customers;
- Renewals or modifications of existing term license agreements that result in higher license fees due to price escalation or an increase in the number of tokens (units of software usage) or products licensed; and
- Escalation of annual payments in our active term license contracts.

Annual spend is adversely affected by term license and standalone SMS agreements that are not renewed.

We estimate that annual spend grew by approximately 1.1% and 1.0% during the first quarter of fiscal 2017 and fiscal 2016, from $441.4 million at June 30, 2016 to $446.2 million at September 30, 2016 and from $419.3 million at June 30, 2015 to $423.4 million at September 30, 2015, respectively.

Free Cash Flow

We use a non-GAAP measure of free cash flow to analyze cash flows generated from our operations. Management believes that this financial measure is useful to investors because it permits investors to view our performance using the same tools that management uses to gauge progress in achieving our goals. We believe this measure is also useful to investors because it is an indication of cash flow that may be available to fund investments in future growth initiatives or to repay borrowings under the credit agreement, and it is a basis for comparing our performance with that of our competitors. The presentation of free cash flow is not meant to be considered in isolation or as an alternative to cash flows from operating activities as a measure of liquidity.

Free cash flow is calculated as net cash provided by operating activities adjusted for the net impact of (a) purchases of property, equipment and leasehold improvements, (b) capitalized computer software development costs, (c) excess tax benefits from stock-based compensation, (d) non-capitalized acquired technology, and (e) other nonrecurring items, such as acquisition and litigation related payments.

The following table provides a reconciliation of net cash flows provided by operating activities to free cash flow for the indicated periods:

	Three Months Ended September 30,	
	2016	2015
	(Dollars in Thousands)	
Net cash provided by operating activities	$ 26,250	$ 18,446
Purchases of property, equipment, and leasehold improvements	(898)	(1,119)
Capitalized computer software development costs	(51)	—
Excess tax benefits from stock-based compensation	584	1,577
Non-capitalized acquired technology	846	1,250
Free cash flows (non-GAAP)	$ 26,731	$ 20,154

Total free cash flow on a non-GAAP basis increased by $6.6 million during the three months ended September 30, 2016 as compared to the same period of the prior fiscal year primarily due to changes in working capital.

Excess tax benefits are related to stock-based compensation tax deductions in excess of book compensation expense and reduce our income taxes payable. We have included the impact of excess tax benefits in free cash flow to be consistent with the treatment of other tax activity.

In the three months ended September 30, 2016 and September 30, 2015, we acquired technology that did not meet the accounting requirements for capitalization and therefore the cost of the acquired technology was expensed as research and development. We have excluded the payment for the acquired technology from free cash flow to be consistent with transactions where the acquired technology assets were capitalized.

Non-GAAP Operating Income

Non-GAAP income from operations excludes certain non-cash and non-recurring expenses, and is used as a supplement to operating income presented on a GAAP basis. We believe that non-GAAP operating income is a useful financial measure because excluding non-recurring and certain non-cash items, provides additional insight into recurring profitability and cash flow from operations.

The following table presents our operating income, as adjusted for stock-based compensation expense, non-capitalized acquired technology and amortization of purchased technology intangibles, and other nonrecurring items, such as acquisition related expenses, for the indicated periods:

	Three Months Ended September 30,		2016 Compared to 2015	
	2016	2015	$	%
GAAP income from operations	$ 54,730	$ 55,429	$ (699)	(1.3)%
Plus:				
Stock-based compensation	4,958	4,423	535	12.1 %
Non-capitalized acquired technology	350	250	100	40.0 %
Amortization of purchased technology intangibles	55	113	(58)	(51.3)%
Acquisition related fees	362	—	362	100.0 %
Non-GAAP income from operations	$ 60,455	$ 60,215	$ 240	0.4 %

Non-GAAP operating income increased by $0.2 million or approximately 0.4% in the three months ended September 30, 2016 as compared to the same period of the prior fiscal year.

In the three months ended September 30, 2016 and September 30, 2015, we acquired technology that did not meet the accounting requirements for capitalization and therefore the cost of the acquired technology was expensed as research and development. We have excluded the expense of the acquired technology from non-GAAP operating income to be consistent with transactions where the acquired assets were capitalized.

Critical Accounting Estimates and Judgments

Note 2, "Significant Accounting Policies" to the audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 describes the significant accounting policies and methods used in the preparation of the consolidated financial statements appearing in this report. The accounting policies that reflect our more significant estimates, judgments and assumptions in the preparation of our consolidated financial statements are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2016, and include the following:

- revenue recognition;
- accounting for income taxes; and
- loss contingencies.

There were no significant changes to our critical accounting policies and estimates during the three months ended September 30, 2016.

Results of Operations

Comparison of the Three Months Ended September 30, 2016

The following table sets forth the results of operations and the period-over-period percentage change in certain financial data for the three months ended September 30, 2016:

	Three Months Ended September 30,		Increase / (Decrease) Change
	2016	2015	%
	(Dollars in Thousands)		
Revenue:			
Subscription and software	$ 113,444	$ 111,859	1.4 %
Services and other	6,606	8,437	(21.7)%
Total revenue	120,050	120,296	(0.2)%
Cost of revenue:			
Subscription and software	5,069	5,242	(3.3)%
Services and other	6,437	7,730	(16.7)%
Total cost of revenue	11,506	12,972	(11.3)%
Gross profit	108,544	107,324	1.1 %
Operating expenses:			
Selling and marketing	22,025	22,436	(1.8)%
Research and development	18,632	16,597	12.3 %
General and administrative	13,157	12,862	2.3 %
Total operating expenses, net	53,814	51,895	3.7 %
Income from operations	54,730	55,429	(1.3)%
Interest income	272	82	231.7 %
Interest expense	(869)	(1)	*
Other income, net	646	896	(27.9)%
Income before provision for income taxes	54,779	56,406	(2.9)%
Provision for income taxes	19,779	19,635	0.7 %
Net income	$ 35,000	$ 36,771	(4.8)%

* Percentage is not meaningful.

The following table sets forth the results of operations as a percentage of net revenue for certain financial data for the three months ended September 30, 2016:

	Three Months Ended September 30,	
	2016	2015
Revenue:		
Subscription and software	94.5 %	93.0 %
Services and other	5.5	7.0
Total revenue	100.0	100.0
Cost of revenue:		
Subscription and software	4.2	4.4
Services and other	5.4	6.4
Total cost of revenue	9.6	10.8
Gross profit	90.4	89.2
Operating expenses:		
Selling and marketing	18.3	18.7
Research and development	15.5	13.8
General and administrative	11.0	10.6
Total operating expenses, net	44.8	43.0
Income from operations	45.6	46.1
Interest income	0.2	0.1
Interest expense	(0.7)	(0.0)
Other income, net	0.5	0.7
Income before provision for income taxes	45.6	46.9
Provision for income taxes	16.5	16.4
Net income	29.2 %	30.6 %

Revenue

Total revenue decreased by $0.2 million during the three months ended September 30, 2016 as compared to the corresponding period of the prior fiscal year. The decrease was primarily attributable to a decrease in services and other revenue of $1.8 million, partially offset by an increase in subscription and software revenue of $1.6 million.

During the three months ended September 30, 2015, we recognized revenue of $2.9 million related to the completion of customer arrangements recognized under completed contract accounting, This amount was recognized as $2.0 million of subscription and software revenue and $0.9 million of services and other revenue. No such events occurred during the three months ended September 30, 2016.

Subscription and Software Revenue

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
Subscription and software revenue	$ 113,444	$ 111,859	$ 1,585	1.4%
As a percent of revenue	94.5%	93.0%		

The increase in subscription and software revenue during the three months ended September 30, 2016 as compared to the corresponding period of the prior fiscal year was primarily the result of the growth of our base of license arrangements being recognized on a ratable basis. In the three months ended September 30, 2015, we recognized revenue of $2.0 million related to the completion of customer arrangements recognized under completed contract accounting, as noted above. No such events occurred during the three months ended September 30, 2016. Adjusting for the impact of the $2.0 million of revenue from

completed customer contracts in the three months ended September 30, 2016, revenue increased by $2.6 million or 2.3%, period over period.

We expect subscription and software revenue to continue to increase during fiscal 2017 as a result of: (i) having a larger base of license arrangements recognized on a ratable basis; (ii) increased customer usage of our software; (iii) adding new customers; and (iv) escalating annual payments.

Services and Other Revenue

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
Services and other revenue	$ 6,606	$ 8,437	$ (1,831)	(21.7)%
As a percent of revenue	5.5%	7.0%		

Services and other revenue consists primarily of revenue related to professional services and training.

Services and other revenue decreased by $1.8 million during the three months ended September 30, 2016 as compared to the corresponding period of the prior fiscal year. The decrease was primarily attributable to the timing of professional service arrangements.

Professional services revenue for the three months ended September 30, 2015 included recognition of $0.9 million of revenue related to customer contracts recognized under completed contract accounting, as noted above, no such events occurred during the three months ended September 30, 2016.

Under the aspenONE licensing model, revenue from committed professional service arrangements that are sold as a single arrangement with, or in contemplation of, a new aspenONE licensing transaction is deferred and recognized on a ratable basis over the longer of (a) the period the services are performed or (b) the term of the related software arrangement. As our typical contract term approximates five years, professional services revenue on these types of arrangements will usually be recognized over a longer period than the period over which the services are performed.

Gross Profit

Gross profit increased from $107.3 million million during the three months ended September 30, 2015 to $108.5 million during the corresponding period of the current fiscal year. The period-over-period increase in gross profit was primarily attributable to the growth of our subscription and software revenue of $1.6 million.

Gross profit margin increased from 89.2% during the three months ended September 30, 2015 to 90.4% during the corresponding period of the current fiscal year. For further discussion of subscription and software gross profit and services and other gross profit, please refer to the “Cost of Subscription and Software Revenue” and “Cost of Services and Other Revenue” sections below.

Expenses

Cost of Subscription and Software Revenue

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
Cost of subscription and software revenue	$ 5,069	$ 5,242	$ (173)	(3.3)%
As a percent of revenue	4.2%	4.4%		

Cost of subscription and software revenue was consistent for the three months ended September 30, 2016 as compared to the corresponding period of the prior fiscal year.

Subscription and software gross profit margin was 95.5% and 95.3% during the three months ended September 30, 2016 and 2015, respectively.

Cost of Services and Other Revenue

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
Cost of services and other revenue	$ 6,437	$ 7,730	$ (1,293)	(16.7)%
As a percent of revenue	5.4%	6.4%		

Cost of services and other revenue includes the cost of providing professional services and training.

The period-over-period decrease in cost of services and other revenue of $1.3 million during the three months ended September 30, 2016 was primarily attributable to the timing of professional service arrangements and cost of revenue for projects accounted for under the completed contract method.

Cost of services and other revenue during the three months ended September 30, 2015 included the recognition of $0.6 million of costs related to customer contracts recognized under completed contract accounting, as noted above, no such events occurred during the three months ended September 30, 2016.

The timing of revenue and expense recognition on professional service arrangements can impact the comparability of cost and gross profit margin of professional services revenue from year to year.

Gross profit margin on services and other revenue of 2.6% for the three months ended September 30, 2016 decreased from the 8.4% for the corresponding period of the prior fiscal year, primarily due to lower revenue of $1.8 million.

Selling and Marketing Expense

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
Selling and marketing expense	$ 22,025	$ 22,436	$ (411)	(1.8)%
As a percent of revenue	18.3%	18.7%		

The period-over-period decrease of $0.4 million in selling and marketing expense during the three months ended September 30, 2016 was primarily attributable to lower compensation costs of $0.5 million.

Research and Development Expense

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
Research and development expense	$ 18,632	$ 16,597	$ 2,035	12.3%
As a percent of revenue	15.5%	13.8%		

The period-over-period increase of $2.0 million in research and development expense during the three months ended September 30, 2016 was primarily attributable to higher compensation costs of $0.9 million and higher overhead allocations of $0.8 million.

In the three months ended September 30, 2016 and September 30, 2015, we acquired technology for $0.4 million and $0.3 million, respectively. At the time we acquired the technology, the projects to develop commercially available products did not meet the accounting definition of having reached technological feasibility and therefore the cost of the acquired technology was expensed as a research and development expense.

General and Administrative Expense

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
General and administrative expense	$ 13,157	$ 12,862	$ 295	2.3%
As a percent of revenue	11.0%	10.6%		

The period-over-period increase of $0.3 million in general and administrative expense during the three months ended September 30, 2016 was primarily attributable to higher consulting costs of $0.8 million and higher stock-based compensation of $0.2 million, partially offset by lower compensation costs of $0.8 million. The consulting costs incurred during the three months ended September 30, 2016, are primarily related to our evaluation and implementation of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

Interest Income

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
Interest income	$ 272	$ 82	$ 190	231.7%
As a percent of revenue	0.2%	0.1%		

The period-over-period increase of $0.2 million in interest income during the three months ended September 30, 2016 was attributable to a higher level of interest income from investments.

Interest Expense

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
Interest expense	$ (869)	$ (1)	$ (868)	*
As a percent of revenue	(0.7)%	—%		

* Percentage is not meaningful.

The period-over-period increase of $0.9 million in interest expense during the three months ended September 30, 2016 was attributable to interest expense related to our Credit Agreement, which we entered into in February 2016, as described in the Liquidity and Capital Resources section below.

Other Income, net

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
Other income, net	$ 646	$ 896	$ (250)	(27.9)%
As a percent of revenue	0.5%	0.7%		

Other income, net is comprised primarily of unrealized and realized foreign currency exchange gains and losses generated from the settlement and remeasurement of transactions denominated in currencies other than the functional currency of our operating units. Other income, net also includes miscellaneous non-operating gains and losses.

During the three months ended September 30, 2016 and 2015, other income, net was comprised of $0.6 million and $0.9 million of net currency gains, respectively.

Provision for Income Taxes

	Three Months Ended September 30,		Period-to-Period Change	
	2016	2015	$	%
	(Dollars in Thousands)			
Provision for income taxes	$ 19,779	$ 19,635	$ 144	0.7%
Effective tax rate	36.1%	34.8%		

The effective tax rate for the periods presented is primarily the result of income earned in the U.S. taxed at U.S. federal and state statutory income tax rates, income earned in foreign tax jurisdictions taxed at the applicable rates, as well as the impact of permanent differences between book and tax income.

Our effective tax rate increased to 36.1% for the three months ended September 30, 2016 compared to 34.8% for the corresponding period of the prior fiscal year primarily due to an increase in the uncertain tax positions liability.

Liquidity and Capital Resources

Resources

In recent years, we have financed our operations with cash generated from operating activities. As of September 30, 2016, our principal sources of liquidity consisted of $48.4 million in cash and cash equivalents and $143.2 million of marketable securities. As of September 30, 2015, our principal sources of liquidity consisted of $129.7 million in cash and cash equivalents and $51.8 million of marketable securities.

We believe our existing cash and cash equivalents and marketable securities, together with our cash flows from operating activities, will be sufficient to meet our anticipated cash needs for at least the next twelve months. We may need to raise additional funds in the event we decide to make one or more acquisitions of businesses, technologies or products. If additional funding is required beyond existing resources and our Credit Agreement described below, we may not be able to effect a receivable, equity or debt financing on terms acceptable to us or at all.

Credit Agreement

On February 26, 2016, we entered into a $250.0 million Credit Agreement (the "Credit Agreement") with various lenders. The Credit Agreement matures on February 26, 2021. Prior to the maturity of the Credit Agreement, any amounts borrowed may be repaid and, subject to the terms and conditions of the Credit Agreement, borrowed again whole or in part without penalty. As of September 30, 2016, we had $140.0 million in outstanding borrowings under the Credit Agreement.

For a more detailed description of the Credit Agreement, see Note 11, Credit Agreement, to our Unaudited Consolidated Financial Statements in Item 1 of this Form 10-Q.

Cash Equivalents and Cash Flows

Our cash equivalents of $30.8 million consist primarily of money market funds as of September 30, 2016. Our investments in marketable securities of $143.2 million as of September 30, 2016 consist primarily of investment grade fixed income corporate debt securities with maturities ranging from less than 1 month to 8 months. The fair value of our portfolio is affected by interest rate movements, credit and liquidity risks. The objective of our investment policy is to manage our cash and investments to preserve principal and maintain liquidity, while earning a return on our investment portfolio by investing available funds. We diversify our investment portfolio by investing in multiple types of investment-grade securities and attempt to mitigate a risk of loss by using a third-party investment manager.

The following table summarizes our cash flow activities for the periods indicated:

	Three Months Ended September 30,	
	2016	2015
	(Dollars in Thousands)	
Cash flow provided by (used in):		
Operating activities	$ 26,250	$ 18,446
Investing activities	(146,913)	9,251
Financing activities	(149,245)	(53,970)
Effect of exchange rates on cash balances	(51)	(237)
Decrease in cash and cash equivalents	$ (269,959)	$ (26,510)

Operating Activities

Our primary source of cash is from the annual installments associated with our software license arrangements and related software support services, and to a lesser extent from professional services and training. We believe that cash inflows from our term license business will grow as we benefit from the continued growth of our portfolio of term license contracts.

During fiscal 2016 and 2015, we utilized our tax credits and net operating losses to offset U.S. corporate income taxes payable. We became a U.S. corporate tax payer in fiscal year 2016.

Cash from operating activities provided $26.3 million during the three months ended September 30, 2016. This amount resulted from net income of $35.0 million, adjusted for non-cash items of $6.0 million and net uses of cash of $14.8 million related to changes in working capital.

Non-cash items consisted primarily of stock-based compensation expense of $5.0 million, depreciation and amortization expense of $1.8 million, net foreign currency gains of $0.7 million, and other net items of $0.1 million.

Cash used by working capital of $14.8 million was primarily attributable to cash outflows related to decreases in deferred revenue of $27.8 million (cash flows related to deferred revenue vary due to the timing of invoicing, in particular the anniversary dates of annual installments associated with multi-year software license arrangements) and increases in accounts receivable of $1.4 million, partially offset by cash inflows related to increases in accounts payable, accrued expenses and other current liabilities of $12.5 million and decreases in prepaid expenses, prepaid income taxes, and other assets of $1.9 million.

Investing Activities

During the three months ended September 30, 2016, we used $146.9 million of cash for investing activities. We used $193.7 million for purchases of marketable securities, $5.4 million for acquisition related payments, $0.9 million for capital expenditures and $0.1 million for capitalized computer software development costs, partially offset by sources of cash of $53.2 million resulting from the maturities of marketable securities.

Financing Activities

During the three months ended September 30, 2016, we used $149.2 million of cash for financing activities. We used $151.6 million for repurchases of our common stock and $1.3 million for withholding taxes on vested and settled restricted stock units, partially offset by proceeds of $3.1 million from the exercise of employee stock options and $0.6 million in excess tax benefits from stock-based compensation.

Contractual Obligations

Standby letters of credit for $3.0 million as of September 30, 2016 secure our performance on professional services contracts, certain facility leases and potential liabilities. This is a decrease from $3.5 million as of June 30, 2016. The letters of credit expire at various dates through fiscal 2018.

Recently Issued Accounting Pronouncements

Refer to Note 2 (g), "Recently Issued Accounting Pronouncements," in the Notes to the Unaudited Consolidated Financial Statements for information about recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the ordinary course of conducting business, we are exposed to certain risks associated with potential changes in market conditions. These market risks include changes in currency exchange rates and interest rates which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, if considered appropriate, we may enter into derivative financial instruments such as forward currency exchange contracts.

Foreign Currency Risk

During the three months ended September 30, 2016 and 2015, 9.9% and 14.0% of our total revenue was denominated in a currency other than the U.S. dollar, respectively. In addition, certain of our operating costs incurred outside the United States are denominated in currencies other than the U.S. dollar. We conduct business on a worldwide basis and as a result, a portion of our revenue, earnings, net assets, and net investments in foreign affiliates is exposed to changes in foreign currency exchange rates. We measure our net exposure for cash balance positions and for cash inflows and outflows in order to evaluate the need to mitigate our foreign exchange risk. We may enter into foreign currency forward contracts to minimize the impact related to unfavorable exchange rate movements, although we have not done so during the three months ended September 30, 2016 and 2015. Our largest exposures to foreign currency exchange rates exist primarily with the Euro, Pound Sterling, Canadian Dollar, and Japanese Yen.

During the three months ended September 30, 2016 and 2015, we recorded $0.6 million and $0.9 million of net foreign currency exchange gains related to the settlement and remeasurement of transactions denominated in currencies other than the functional currency of our operating units. Our analysis of operating results transacted in various foreign currencies indicated that a hypothetical 10% change in the foreign currency exchange rates could have increased or decreased the consolidated results of operations by approximately $1.2 million and $1.3 million for the three months ended September 30, 2016 and 2015, respectively.

Interest Rate Risk

We place our investments in money market instruments and high quality, investment grade, fixed-income corporate debt securities that meet high credit quality standards, as specified in our investment guidelines.

We mitigate the risks by diversifying our investment portfolio, limiting the amount of investments in debt securities of any single issuer and using a third-party investment manager. Our debt securities are short- to intermediate- term investments with maturities ranging from less than 1 month to 8 months as of September 30, 2016 and from less than 1 month to 11 months as of September 30, 2015, respectively. We do not use derivative financial instruments in our investment portfolio.

Our analysis of our investment portfolio and interest rates at September 30, 2016 and 2015 indicated that a 100 basis point increase or decrease in interest rates would result in a decrease or increase of approximately $0.3 million and $0.2 million in the fair value of our investment portfolio at September 30, 2016 and 2015, respectively, determined in accordance with income-based approach utilizing portfolio future cash flows discounted at the appropriate rates.

We maintain a revolving Credit Agreement that allows us to borrow up to $250.0 million. At September 30, 2016, we had $140.0 million in outstanding borrowings under our Credit Agreement. A hypothetical 10% increase or decrease in interest rates paid on outstanding borrowings under the Credit Agreement would not have a material impact on our financial position, results of operations or cash flows.

Item 4. Controls and Procedures

a) Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2016. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2016, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

b) Changes in Internal Controls Over Financial Reporting

During the three months ended September 30, 2016, no changes were identified in our internal controls over financial reporting that materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Refer to Note 16, "Commitments and Contingencies," in the Notes to the Unaudited Consolidated Financial Statements for information regarding certain legal proceedings, the contents of which are herein incorporated by reference.

Item 1A. Risk Factors.

The risks described in Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ended June 30, 2016, could materially and adversely affect our business, financial condition and results of operations. These risk factors do not identify all risks that we face—our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. The Risk Factors section of our 2016 Annual Report on Form 10-K remains current in material respects, with the exception of the revised risk factors below.

Fluctuations in foreign currency exchange rates could result in declines in our reported revenue and operating results.

During the three months ended September 30, 2016 and 2015, 9.9% and 14.0% of our total revenue was denominated in a currency other than the U.S. dollar, respectively. In addition, certain of our operating expenses incurred outside the United States are denominated in currencies other than the U.S. dollar. Our reported revenue and operating results are subject to fluctuations in foreign exchange rates. Foreign currency risk arises primarily from the net difference between non-U.S. dollar receipts from customers outside the United States and non-U.S. dollar operating expenses for subsidiaries in foreign countries. Currently, our largest exposures to foreign exchange rates exist primarily with the Euro, Pound Sterling, Canadian dollar and Japanese Yen against the U.S. dollar. During the three months ended September 30, 2016 and 2015, we did not enter into, and were not a party to any, derivative financial instruments, such as forward currency exchange contracts, intended to manage the volatility of these market risks. We cannot predict the impact of foreign currency fluctuations, and foreign currency fluctuations in the future may adversely affect our revenue and operating results. Any hedging policies we may implement in the future may not be successful, and the cost of those hedging techniques may have a significant negative impact on our operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information about purchases by us during the three months ended September 30, 2016 of shares of our common stock:

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share (3)	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (4)
July 1 to 31, 2016	374,599	$ 41.69	374,599	
August 1 to 31, 2016	2,165,129	$ 45.24	2,165,129	
September 1 to 30, 2016	356,985	$ 46.00	356,985	
Total	2,896,713	$ 44.88	2,896,713	$ 371,292,667

(1) On January 28, 2015, our Board of Directors approved a share repurchase program for up to $450 million worth of our common stock. On April 26, 2016, the Board of Directors approved a $400 million increase in the share repurchase plan.

(2) As of September 30, 2016, the total number of shares of common stock repurchased under all programs approved by the Board of Directors was 24,750,723 shares, including purchases under the ASR Program. For a more detailed description of the ASR Program, see Note 13, Stockholders' Deficit, to our Unaudited Consolidated Financial Statements in Item 1 of this Form 10-Q.

(3) The total average price paid per share is calculated as the total amount paid for the repurchase of our common stock during the period divided by the total number of shares repurchased. During the period August 1 to 31, 2016, we received approximately 1.76 million shares of our common stock under the ASR Program, representing 80% of the total shares ultimately expected to be received over the program's term. The 1.76 million shares represented the initial shares received, which had an aggregate cost of $80.0 million based on the August 29, 2016 closing share price of $45.51. At the ASR Program's conclusion, the financial institution may be required to deliver additional shares of common stock to us, or, under

certain circumstances, we may be required to, at our election, deliver shares of our common stock or make a cash payment to the financial institution. Final settlement of the ASR Program is expected to occur during the second quarter of fiscal 2017, with the number of shares to be delivered, or the amount of any cash payment to be made, determined based on the volume-weighted average price per share of our common stock over the term of the ASR Program, less an agreed-upon discount.

(4) As of September 30, 2016, the total remaining value under the share repurchase program approved on January 28, 2015 and amended on April 26, 2016 was approximately $371.3 million.

Item 6. Exhibits.

Exhibit Number	Description	Filed with this Form 10-Q	Incorporated by Reference		
			Form	Filing Date with SEC	Exhibit Number
3.1	Amended and Restated By-Laws, adopted on October 19, 2016		8-K	October 24, 2016	3.1
10.1	Master Confirmation-Accelerated Share Repurchase Dated August 29, 2016, with J.P. Morgan Securities, as agent for JP Morgan Chase Bank		8-K	August 30, 2016	10.1
10.2	Stock Purchase Agreement dated October 26, 2016 by and among AspenTech Holding Corporation, Mtelligence Corporation, each of the stockholders and key sellers of Mtelligence Corporation, and Cito Capital Corporation	X			
10.3	Aspen Technology, Inc. Executive Annual Bonus Plan (Fiscal Year 2017) (Correction of the exhibit filed as Exhibit 10.1 of the 8-K filed on July 22, 2016, in which Growth in Annual Spend was referred to as Growth in License Annual Spend	X			
10.4	Aspen Technology, Inc. 2016 Omnibus Incentive Plan	X			
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certification of President and Chief Executive Officer and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101.INS	Instance Document	X			
101.SCH	XBRL Taxonomy Extension Schema Document	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X			

101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Aspen Technology, Inc.

Date: October 27, 2016

By: **/s/ ANTONIO J. PIETRI**

Antonio J. Pietri
President and Chief Executive Officer
(Principal Executive Officer)

Date: October 27, 2016

By: **/s/ KARL E. JOHNSEN**

Karl E. Johnsen
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description	Filed with this Form 10-Q	Incorporated by Reference		
			Form	Filing Date with SEC	Exhibit Number
3.1	Amended and Restated By-Laws, adopted on October 19, 2016		8-K	October 24, 2016	3.1
10.1	Master Confirmation-Accelerated Share Repurchase Dated August 29, 2016, with J.P. Morgan Securities, as agent for JP Morgan Chase Bank		8-K	August 30, 2016	10.1
10.2	Stock Purchase Agreement dated October 26, 2016 by and among AspenTech Holding Corporation, Mtelligence Corporation, each of the stockholders and key sellers of Mtelligence Corporation, and Cito Capital Corporation	X			
10.3	Aspen Technology, Inc. Executive Annual Bonus Plan (Fiscal Year 2017) (Correction of the exhibit filed as Exhibit 10.1 of the 8-K filed on July 22, 2016, in which Growth in Annual Spend was referred to as Growth in License Annual Spend	X			
10.4	Aspen Technology, Inc. 2016 Omnibus Incentive Plan	X			
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certification of President and Chief Executive Officer and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101.INS	Instance Document	X			
101.SCH	XBRL Taxonomy Extension Schema Document	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X			

101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X

Exhibit 10.2

STOCK PURCHASE AGREEMENT

DATED AS OF

OCTOBER 26, 2016

BY AND AMONG

MTELLIGENCE CORPORATION,

EACH OF THE STOCKHOLDERS AND KEY SELLERS OF

MTELLIGENCE CORPORATION,

AS SELLERS,

ASPENTECH HOLDING CORPORATION,

AS PURCHASER,

AND

CITO CAPITAL CORPORATION,

AS SELLER REPRESENTATIVE

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT ("**Agreement**") is made as of October 26, 2016, by and among AspenTech Holding Corporation, a Delaware Corporation ("**Purchaser**"), Mtelligence Corporation, a Delaware corporation (the "**Company**"), each of the Stockholders and Key Sellers (each a "**Seller**" and collectively, "**Sellers**"), and Cito Capital Corporation, a California corporation, as agent for Sellers (the "**Seller Representative**").

PRELIMINARY STATEMENTS

Sellers collectively own all of the issued and outstanding shares of capital stock of the Company and all of the issued outstanding options, restricted stock units and other rights to subscribe for or purchase shares of capital stock of the Company. Purchaser desires to purchase all of these securities from Sellers, and Sellers desire to sell all of these securities to Purchaser, upon the terms and subject to the conditions herein contained.

AGREEMENTS

In consideration of the mutual representations, warranties, covenants and agreements set forth in this Agreement, and for other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Defined Terms. Certain capitalized terms used in this Agreement have the definitions set forth in the body of the Agreement. Any capitalized terms used in this Agreement and not defined in the body have the meanings assigned to such terms on Schedule 1.1.

Section 1.2 Rules of Construction. Words in the singular shall be held to include the plural and vice versa. Words of one gender shall be held to include the other genders as the context requires. The terms "hereof," "herein," "hereunder," "hereto" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement and not to any particular provision of this Agreement. All article, section, paragraph, annex, exhibit and schedule references are to the articles, sections, paragraphs, annexes, exhibits and schedules of this Agreement unless otherwise specified. The word "including" and words of similar import when used in this Agreement shall mean "including, without limitation" unless otherwise specified. All references herein to any period of days shall mean the relevant number of calendar days unless otherwise specified. All references herein to a "party" or "parties" are to a party or parties to this Agreement unless otherwise specified.

ARTICLE II
PURCHASE AND SALE OF SECURITIES; CLOSING

Section 2.1 Agreement to Purchase and Sell Securities. On the terms and subject to the conditions contained in this Agreement, at the Closing, each Seller shall sell, transfer, convey, assign and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from each Seller, all of the Shares owned by such Seller, as set forth on Schedule 3.5, free and clear of any and all Liens.

Section 2.2 Purchase Price.

(a) The aggregate purchase price for the Shares ("**Purchase Price**") is equal to:

(i) Thirty-seven million dollars ($37,000,000);

(ii) plus the amount, if any, by which the Adjusted Working Capital exceeds Negative Three Hundred Forty Thousand Nine Hundred Thirty Dollars (-$340,930) (the "**Working Capital Target**"), or minus the amount, if any, by which the Working Capital Target exceeds the Adjusted Working Capital;

(iii) minus the amount required at Closing to discharge in full the Transaction Expenses.

(b) The final Purchase Price shall be determined, and any necessary adjustment payments shall be made, following the Closing in accordance with the provisions of Section 2.5 and Section 2.6 (such adjustments, the "**Purchase Price Adjustments**").

Section 2.3 Closing and Closing Mechanics.

(a) Subject to the terms and conditions of this Agreement, the closing of the transactions contemplated herein (the "**Closing**") shall take place on the date of this Agreement (the "**Closing Date**").

(b) Prior to the Closing, the Purchase Price shall be estimated using the Adjusted Working Capital estimated as of the Closing Date set forth on Schedule 2.3(b) ("**Estimated Working Capital**") and the Transaction Expenses as set forth in the Transaction Invoices ("**Estimated Purchase Price**"). At the Closing, the Estimated Purchase Price less the Holdback Amount less the Company Share Equivalent Payment less the Representative Expense Amount ("**Closing Payment**") shall be paid to Sellers as set forth in Section 2.4(c). Purchaser shall retain the Holdback Amount as a partial mechanism to satisfy the obligations of the Sellers set forth in Article VII.

(c) Each Share Equivalent outstanding immediately prior to Closing shall be fully vested and terminated and cancelled upon consummation of the Closing. At the Closing, Purchaser shall deposit with Company the aggregate amount payable to the holders of Share Equivalents set forth on Schedule 2.4(c) ("**Company Share Equivalent Payment**").

(d) At or immediately after the Closing, Purchaser shall pay, or shall cause the Company to pay, in cash by wire transfer of immediately available funds the Transaction Expenses set forth in the Transaction Invoices, in accordance with the wire transfer instructions set forth in the Transaction Invoices.

(e) At or immediately after the Closing, the Company shall pay to each holder of Share Equivalents amount payable to each such holder set forth on Schedule 2.4(c). The Company shall be entitled to withhold and deduct from the amounts otherwise payable to the holders of the Share Equivalents pursuant to this Agreement such amounts that the Company is required to withhold under the Code or any other provision of Tax Laws. To the extent withheld and deducted, such amounts shall be remitted to the applicable Governmental Authority on behalf of the applicable holders of the Share Equivalents and treated for all purposes of this Agreement as having been paid to the applicable holders of the Share Equivalents.

Section 2.4 Closing Deliveries. At the Closing, the parties shall deliver the documents and instruments that are set forth in this Section 2.4, all of which shall be deemed delivered concurrently.

(a) Each Seller agrees to execute and/or deliver to Purchaser (or such other Person as indicated below) all of the following at the Closing:

(i) certificates representing all of the issued and outstanding Shares held by Sellers, duly endorsed in blank or with duly executed stock powers attached;

(ii) Termination Agreements between the Company and each holder of Options and Restricted Stock Units, in a form reasonably acceptable to Purchaser, evidencing the termination and cancellation of all of the outstanding Share Equivalents held by such holders, subject to the consummation of the transactions contemplated by this Agreement;

(iii) a customary release from Sellers of any and all claims such Seller may have against the Company;

(iv) the written resignation of Sellers, effective as of the Closing Date, of the directorships and offices of the Company held by such Sellers, if and to the extent requested by Purchaser prior to the Closing; and

(v) the acceptance of Aspen Technology, Inc.'s employment offers by each Key Seller.

(b) The Company shall execute and/or deliver to Purchaser (or such other Person as indicated below) all of the following at the Closing:

(i) an invoice issued by each creditor of Transaction Expenses, which sets forth (A) the amounts required to pay in full all Transaction Expenses owed to such creditor on the Closing Date, (B) the wire transfer instructions for the payment of such Transaction Expenses to such creditor, and (C) a release of all Liens granted by the Company to such creditor or otherwise

arising with respect to such Transaction Expenses, effective upon payment of such Transaction Expenses (collectively, the "**Transaction Invoices**");

(ii) the third party consents to the consummation of the transactions contemplated by this Agreement under or with respect to the Contracts and Permits listed in Schedule 2.4(b);

(iii) physical possession of all minute books and stock of the Company, together with share certificates or other applicable instruments and registry entries representing all of the issued and outstanding shares of capital stock, in proper form for transfer;

(iv) certified copies of the Company's certificate of incorporation or formation, issued by the secretary of state of the Company's state of incorporation or formation, as applicable;

(v) certificate of good standing for the Company issued not earlier than ten (10) Business Days prior to the Closing Date by the applicable Governmental Authorities of the state in which the Company is incorporated;

(vi) a certificate of the secretary of the Company certifying as true, correct and complete the following: (A) copies of the Company's certificate of incorporation and bylaws; and (B) a copy of the resolutions of the Company's board of directors (i) authorizing the execution, delivery and performance of this Agreement and/or any other documents delivered by the Company hereunder, and (ii) terminating the Company 401(k) Plan as of the day immediately preceding the Closing Date;

(vii) evidence, in a form satisfactory to Purchaser, of the discharge in full of the Indebtedness, along with all applicable UCC-3 termination statements with regard to the Indebtedness;

(viii) a certificate in compliance with the Foreign Investment in Real Property Tax Act, as amended ("**FIRPTA**"), certifying that the Company is not a United States real property holding corporation and that the shares of capital stock of the Company being purchased pursuant to this Agreement do not constitute United States real property interests (as defined in the Code); and

(ix) without limitation by specific enumeration of the foregoing, all other documents reasonably required from Sellers and the Company to consummate the transactions contemplated by this Agreement.

(c) Purchaser agrees to execute and/or deliver to each Seller (or such other Person as indicated below) all of the following at the Closing:

(i) For each Seller that is a holder of Preferred Shares or Common Shares, Purchaser shall pay in cash by wire transfer of immediately available funds to a bank account designated by such Seller at least one (1) Business Day prior to the Closing Date, the amount of

the Closing Payment set forth next to such Seller's name in Schedule 2.4(c), for the Shares held by such Seller and sold to Purchaser pursuant to this Agreement;

(ii) Purchaser shall pay to the Company in cash by wire transfer of immediately available funds to a bank account designated by Company at least one (1) Business Day prior to the Closing Date, the Company Share Equivalent Payment; and

(iii) to the Seller Representative, One Hundred Fifty Thousand Dollars ($150,000) (the "**Representative Expense Amount**").

Section 2.5 Post-Closing Purchase Price Adjustment.

(a) As promptly as practicable (but not later than sixty (60) days) following the Closing Date, Purchaser shall:

(i) prepare, in accordance with the Agreed Accounting Principles, a balance sheet of the Company as of the open of business on the Closing Date (the "**Preliminary Closing Date Balance Sheet**"); and

(ii) deliver to the Seller Representative the Preliminary Closing Date Balance Sheet and a certificate (the "**Preliminary Determination**") setting forth Purchaser's calculation of the Adjusted Working Capital as of the open of business on the Closing Date, in a manner consistent with Schedule 1.2 including reasonable supporting detail.

(b) To the extent the Preliminary Determination reflects a change in any constituent amount of the Purchase Price as determined pursuant to Section 2.2 and the Seller Representative does not agree with such changes, the Seller Representative shall within thirty (30) days of its receipt thereof deliver to Purchaser a written notice (the "**Notice of Disagreement**") setting forth in reasonable detail each item or amount with which the Seller Representative disagrees and the Seller Representative's proposed calculation of such items or amounts, and any item or amount not so disputed shall be deemed conclusive and binding on the Sellers and Purchaser for all purposes hereunder. Seller Representative and the Purchaser shall cooperate in good faith to resolve all items identified in the Notice of Disagreement for a period of at least thirty (30) days after Purchaser's receipt thereof. If, after such thirty (30) day period, any such items remain unresolved, Seller Representative or Purchaser may submit to the Arbiter such unresolved items (and the amounts thereof as set forth in the Preliminary Determination and the Notice of Disagreement), in which case, Seller Representative and Purchaser shall jointly instruct the Arbiter to conduct a review of the line items on the Notice of Disagreement as to which the Seller Representative and Purchaser disagree (such review to be completed not later than sixty (60) days after receipt of the Preliminary Closing Date Balance Sheet) and, upon completion of such review, to deliver written notice (the "**Review Report**") to Seller Representative and Purchaser setting forth the Arbiter's calculation of each item submitted to the Arbiter for resolution in accordance with this Section 2.5(b). The Arbiter shall act only as an expert and not as an arbitrator and is expressly limited to the selection of either the Purchaser's position (as set forth on the Preliminary Determination) or the position of the Seller Representative (as set forth in the Notice of Disagreement) on a disputed item (or a position in between the positions of the Seller Representative and the Purchaser), based

solely on presentations and supporting material provided by the Purchaser and the Seller Representative and not pursuant to any independent review. The Arbiter may not impose an alternative resolution outside those bounds. The determination of the Arbiter set forth in the Review Report with respect to the items set forth on the Notice of Disagreement shall be final and binding for purposes of this Agreement.

(c) To the extent the Preliminary Determination delivered by Purchaser pursuant to Section 2.5(a) reflects a change in any constituent amount of the Purchase Price as determined pursuant to Section 2.2 and the Seller Representative does not give Purchaser the Notice of Disagreement within forty-five (45) days of receipt thereof, then the Preliminary Closing Date Balance Sheet and Preliminary Determination delivered by Purchaser pursuant to Section 2.5(a) shall be final and binding for purposes of this Agreement.

(d) The fees and expenses of the Arbiter with respect to this Section 2.5 shall be apportioned between the Company (on behalf of Purchaser) and the Sellers based upon the inverse proportion of the amount of disputed line items of the Preliminary Determination resolved in favor of such party (i.e., so that the prevailing party bears a lesser amount of such fees and expenses). The fees and expenses so determined shall be paid by the Company on behalf of Purchaser (via direct payment from the Company) and by the Sellers (via a deduction from the Holdback Amount).

(e) Purchaser and Seller Representative agree that they will, and agree to cause their respective independent accountants and the Company to, cooperate and assist in the preparation of the Preliminary Determination and in the conduct of the reviews referred to in this Section 2.5.

(f) "**Final Closing Date Working Capital**" means the Adjusted Working Capital as of the Closing Date as shown in the Preliminary Determination and, if a Notice of Disagreement was delivered pursuant to subpart (b) with respect to disputed items or amounts in the Preliminary Determination, as adjusted for the amounts set forth in the Review Report for such disputed items or amounts delivered pursuant to subpart (b), or as agreed by the Seller Representative and Purchaser, as applicable.

Section 2.6 Purchase Price Adjustments Payment.

(a) Promptly (but not later than five (5) Business Days) after the determination of the Final Closing Date Working Capital, the parties shall make the Purchase Price Adjustments as follows:

(i) if the Final Closing Date Working Capital exceeds the Estimated Closing Date Working Capital, then the Purchase Price shall be increased on a dollar-for-dollar basis by an amount equal to such excess, paid in accordance with Section 2.6(b); and

(ii) if the Estimated Closing Date Working Capital exceeds the Final Closing Date Working Capital, then the Purchase Price shall be reduced on a dollar-for-dollar basis by an amount equal to such excess, paid in accordance with Section 2.6(b).

(b) Promptly (but not later than five (5) Business Days) after the determination of Final Closing Date Working Capital pursuant to Section 2.6:

(i) in the case of an increase in the Purchase Price after giving effect to Section 2.6(a), the Seller Representative shall deliver a statement (the "**Purchase Price Increase Allocation Statement**") setting forth the amount of such net increase, the allocation between the Sellers and wire instructions for the Sellers. Promptly (but not later than five (5) Business Days) after receipt of the Purchase Price Increase Allocation Statement, Purchaser shall pay an aggregate dollar amount equal to the amount of such increase, which payment shall be made by wire transfer to each Seller in such amounts and to such accounts as is designated in the Purchase Price Increase Allocation Statement; and

(ii) in the case of a decrease in the Purchase Price after giving effect to Section 2.6(a), Seller Group and PTC (severally and not jointly) shall pay such excess in cash to Purchaser within five (5) Business Days following the final determination of the Final Closing Date Working Capital by wire transfer of immediately available funds to the bank account designated by Purchaser.

Section 2.7 Release of Holdback Amount. Subject to the terms of this Agreement, no later than eighteen (18) months after the Closing, Purchaser shall deliver to each Stockholder such Stockholder's share, based on the Purchase Price Percentage set forth on Schedule 2.4(c), and Purchaser shall deliver to Company which shall deliver to each holder of Share Equivalents, the amount due to such holder based on the Purchase Price Percentage set forth on Schedule 2.4(c), of (a) the amount equal to the Holdback Amount less (i) any portion of such Holdback Amount previously credited by Purchaser in final resolution of claims under Article VII and (ii) an amount sufficient to satisfy any pending Claim pursuant to Article VII (an "**Indemnification Claim**") made by any Purchaser Indemnitee pursuant to Section 7.4(a). Purchaser shall make such payments to each Stockholder, and Purchaser shall make such payments to Company which shall make such payments to each such holder, by wire transfer of immediately available funds to the bank account designated by such Seller or holder pursuant to Section 2.4(c). Promptly following final resolution of any such pending Indemnification Claims, any remaining Holdback Amount shall be paid by Purchaser to the Stockholders or to the Company which shall pay such holders as set forth in the preceding sentence.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Purchaser that the statements set forth in this Article III are true and correct as of the date of this Agreement (unless made as of a specific date, in which case such representations and warranties are true and correct as of such date). All representations and warranties of the Company are made subject to the items and exceptions noted in the schedules delivered by the Company to Purchaser concurrently herewith as required pursuant to this Article III. Any disclosure in any particular schedule delivered pursuant to this Article III (including the listing of a document or item in any schedule or the inclusion of a copy thereof in such schedule) shall be deemed adequate to disclose an exception to a representation or warranty in any other sections of this Agreement or in any other schedules delivered pursuant to this Article

III, where such disclosure would be appropriate and such appropriateness is reasonably apparent from the face of such disclosure. No specific representation or warranty shall limit the generality or applicability of a more general representation or warranty. Each schedule delivered pursuant to this Article III shall be numbered to correspond to the sections of this Article III to which such schedule relates.

Section 3.1 Organization, Existence and Good Standing. The Company has been duly incorporated, organized or formed, validly exists and is in good standing under the Laws of its jurisdiction of incorporation, organization or formation. The Company has full power and authority to own all of its properties and assets and to carry on its business as presently conducted and as presently proposed to be conducted, and is qualified as a foreign corporation and is in good standing (where applicable) in all jurisdictions where the nature of its business or the nature and location of its assets requires such qualification.

Section 3.2 Power and Authority, Authorization and Execution . The Company has full power and authority to enter into and perform this Agreement and the other Transaction Documents to which it is a party. The execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party by the Company and the consummation by the Company of the transactions contemplated in this Agreement and the other Transaction Documents have been duly and validly approved by the board of directors of the Company. No other approvals or actions are necessary on the part of the Company to authorize the execution, delivery and performance of this Agreement and the other Transaction Documents to which the Company is a party and the consummation by each Seller of the transactions contemplated herein or therein. This Agreement has been duly executed and delivered by duly authorized officers of the Company.

Section 3.3 Enforceability. This Agreement constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent enforcement may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies. At the Closing, the Transaction Documents to be executed and delivered by the Company will be duly executed and delivered by duly authorized officers of the Company and will constitute valid and binding obligations of the Company, enforceable in accordance with their terms, except to the extent enforcement may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies.

Section 3.4 Consents; Non-contravention. Except as set forth in Schedule 3.4, the Company is not required to give any notice to, make any filing with or obtain any authorization, consent, Order or approval of any Governmental Authority or other Person in connection with the execution and delivery of this Agreement and the other Transaction Documents or the consummation of the transactions contemplated herein and therein. Except as set forth in Schedule 3.4, neither the execution, delivery and performance of this Agreement and the other Transaction Documents, nor the consummation of the transactions contemplated herein and therein: (a) will violate any provision of the Governing Documents of the Company; (b) will conflict with, result in a breach of, require delivery of any notice with respect to, constitute a default under, result in the acceleration of, or constitute an event creating rights of acceleration, termination, modification or cancellation under

any Material Contract or Permit; (c) will violate any Law or Order to which the Company or any of the assets or businesses of the Company is subject or otherwise bound; or (d) will result in the creation or imposition of any Lien upon any of the assets or business of the Company.

Section 3.5 Capitalization. Schedule 3.5 lists the names of each holder of shares of capital stock or other Equity Interests of the Company and the amount of such shares of capital stock or other Equity Interests held by such holders, and for the Options and Restricted Stock Units also lists the equity compensation plan, grant date and exercise price (for Options). Except as set forth on Schedule 3.5, there are no shares of capital stock or other Equity Interests of the Company of any class authorized, issued or outstanding. All of the issued and outstanding Shares have been validly issued, are fully paid and non-assessable, and are owned beneficially and of record by Sellers in the amounts set forth on Schedule 3.5, free and clear of all Liens. Except for the Options and Restricted Stock Units, there are no outstanding subscriptions, options, warrants, rights (including preemptive rights), calls, convertible securities or other agreements or commitments of any character relating to the issued or unissued capital stock or other securities of the Company obligating the Company to issue any securities of any kind. The Company has provided to Purchaser complete and accurate copies of the equity compensation plans and forms of agreements governing the Options and Restricted Stock Units. The Company is not a party to, or otherwise bound by, and the Company has not granted, any stock appreciation rights, participations, phantom equity or similar rights. Except as set forth on Schedule 3.5 and other than that certain Stockholders Agreement, dated as of December 19, 2014 by the parties therein, there are no voting trusts, voting agreements, proxies, stockholder agreements or other agreements that may affect the voting or transfer of the Shares or any of the shares of capital stock or other securities of the Company. The Company does not currently own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association or other business entity.

Section 3.6 Governing Documents. True, correct and complete copies of the Governing Documents of the Company have been provided to Purchaser in the Data Room. Such stock and Equity Interest records accurately reflect all stock and Equity Interest transactions and the current ownership of the Company. The minute books and records of the Company contain true, correct and complete copies of all resolutions adopted by the stockholders and board of directors of the Company.

Section 3.7 Financial Statements. Copies of the balance sheets, statements of income and retained earnings, statements of cash flows and notes to financial statements (together with any supplementary information thereto) of the Company as of and for the years ended December 31, 2014 and December 31, 2015, as reviewed by the Company's accountants (the "**Financial Statements**"), are contained in Schedule 3.7. Copies of the balance sheet and statements of income and cash flows of the Company as of and for the: (i) the six (6)-month period ended on June 30, 2016 and (ii) the nine (9)-month period ended on September 30, 2016 (such financial statements, the "**Interim Financial Statements**") are also contained in Schedule 3.7. In all material respects, the Financial Statements and the Interim Financial Statements present fairly the financial position of the Company as of the dates thereof and the results of operations and cash flows of the Company for the periods covered by such statements, in accordance with GAAP consistently applied through the periods covered thereby, except as disclosed therein, and, in the case of the Interim Financial

Statements, except for: (a) normal and customary year-end adjustments, none of which will be material individually or in the aggregate; and (b) the omission of footnote disclosures required by GAAP. The Financial Statements and the Interim Financial Statements have been prepared from, and in accordance with, the financial books and records of the Company. The Company keeps accurate books and records that properly reflect in all material respects all of the transactions entered into by the Company. Schedule 3.7 sets forth a true, correct and complete list of all items of Indebtedness.

Section 3.8 Undisclosed Liabilities. The Company does not have any Liabilities, other than Liabilities: (a) reserved against or otherwise disclosed or set forth in the Interim Financial Statements or notes thereto; (b) incurred by the Company subsequent to the date of the Interim Financial Statements in the ordinary course of the business consistent with past practices; (c) under the executory portion of any Material Contract by which the Company is bound; and (d) disclosed in this Agreement or in the schedules to this Agreement.

Section 3.9 Title and Condition of Assets. The Company has good and valid title to, or a valid leasehold interest in, all of the assets used by the Company in the conduct of its business or included in the balance sheet in the Interim Financial Statements except for sales and transfers in the ordinary course of business consistent with past practices (the "**Assets**"), in each case free and clear of all Liens, except for Permitted Liens. The Assets include all of the assets that are used in the Company's operations as presently conducted and as proposed to be conducted by the Company as of the Closing Date and that are necessary to conduct the business of the Company as presently conducted and as proposed to be conducted by the Company as of the Closing Date. The Assets are in good operating condition and repair, normal wear and tear excepted, are suitable for the uses intended therefor and have been maintained in accordance with normal industry practice. Notwithstanding anything to the contrary contained in this Agreement, the representations and warranties in the first and third sentences of this Section 3.9 shall not be applicable to Company Intellectual Property (which is covered in Section 3.20).

Section 3.10 Accounts Receivable. All of the Accounts Receivable have arisen from bona fide transactions in the ordinary course of business consistent with past practices and, to the extent not previously collected, are fully collectible, net of the allowances for doubtful accounts set forth in the Interim Financial Statements (September 30, 2016), in the ordinary course of business in accordance with their terms.

Section 3.11 Insurance. Schedule 3.11 contains a true, correct and complete list and description (including insurer, coverages, deductibles, limitations and expiration dates) of all insurance policies (including fire and casualty, general liability, theft, life, workers' compensation, directors and officers, business interruption and all other forms of insurance) that are owned by the Company or that, to the Knowledge of the Company, name the Company as an insured or loss payee, including those insurance policies that pertain to the assets, employees or operations of the Company. To the Knowledge of the Company, all such insurance policies are in full force and effect. All outstanding premiums with respect to such insurance policies have been paid in full. No pending claims under such insurance policies have been questioned, disputed or denied coverage. The Company has complied with the material terms and provisions of such insurance policies.

Section 3.12 Taxes.

(a) The Company has timely filed all Tax Returns that were required to be filed by or with respect to it, and all such Tax Returns (i) were prepared in compliance, in all material respects, with all applicable Tax Laws and (ii) are true, correct, and complete in all material respects. No extension of time to file any such Tax Return (other than automatic extensions in the ordinary course of business consistent with past practices) has been requested from or granted by any Governmental Authority.

(b) The Company has paid all Taxes imposed upon the Company (whether or not such Taxes are reflected on any Tax Return). The unpaid Taxes of the Company do not exceed the reserve for Tax liability (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth or included in the Interim Financial Statements, as adjusted for the passage of time through the Closing Date, in accordance with the past practices of the Company. Since the date of the Interim Financial Statements, the Company has not incurred any liability for Taxes, except in the ordinary course of business. There are no liens for Taxes upon any asset of the Company, except for Taxes not yet due and payable.

(c) There are no inquiries, audits, examinations, hearings, trials, appeals, or other administrative or judicial proceeding with respect to any Taxes or Tax Returns of the Company ("**Tax Contests**") pending or being conducted. Company has not received from any Governmental Authority any (x) notice indicating an intent to commence any Tax Contest, (y) notice of deficiency, proposed adjustment, notice of assessment, or notice of lien with respect to Taxes (whether claimed, proposed, asserted, or assessed), or (z) request for information with respect to Taxes. No waivers of statutes of limitation with respect to the Taxes or Tax Returns of the Company have been given by or requested from the Company. No claim has ever been made by any Governmental Authority in a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to taxation by that jurisdiction, and the Company has not been treated as subject to taxation in any jurisdiction other than the jurisdiction in which the Company has been incorporated, organized or formed. There are no claimed, proposed, or asserted Tax deficiencies or assessments of Tax with respect to Company that have not been fully paid.

(d) The Company has (i) withheld all Taxes required to be withheld by or on behalf of the Company in connection with amounts paid or owing to any employee, independent contractor, creditor or other Person, and (ii) timely remitted all such Taxes to the proper Governmental Authorities. The Company has (i) collected all sales, use, value added, goods and services, and similar Taxes required to be collected and (ii) timely remitted all such Taxes collected to the appropriate Governmental Authority in accordance with applicable Tax Laws.

(e) The Company has not ever been a member of an affiliated group of corporations within the meaning of Section 1504 of the Code (or any comparable provision of other applicable Tax Laws) ("**Tax Group**"). The Company is not a party to or bound by any tax indemnity agreement, tax sharing agreement, tax allocation agreement or any similar arrangement for the sharing of Tax liabilities or benefits (other than agreements entered into in the ordinary course of business and the principal purposes of which are not related to Taxes). The Company has no liability for Taxes of any other Person (i) as a result of being or ceasing to be a member of any Tax Group

(including any Liability under Treasury Regulation Section 1.1502-6 or any comparable provision of other applicable Tax Laws) or (ii) arising under contract (other than pursuant to agreements entered into in the ordinary course of business and the principal purposes of which are not related to Taxes), by operation of law, by reason of being a successor or transferee, or otherwise pursuant to applicable Tax Laws.

(f) In connection with the consummation of the transactions contemplated by this Agreement, no payment or benefit has been, will be, or may be made or provided under this Agreement, under any arrangement contemplated by this Agreement, or under any Benefit Plan that, either alone or together with any other payments or benefits, constitutes or would reasonably be expected to constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (or any comparable provision of other applicable Tax Laws).

(g) No Share Equivalent is or has ever constituted "nonqualified deferred compensation" within the meaning of Section 409A(d)(1) of the Code. Each Benefit Plan that is a "nonqualified deferred compensation plan" (as defined in Code Section 409A) satisfies in form and operation the requirements of Sections 409A(a)(2), 409A(a)(3) and 409A(a)(4) of the Code and the guidance thereunder (and has satisfied such requirements for the entire period during which Section 409A of the Code has applied to such Benefit Plan). Neither the Company nor any ERISA Affiliate has any agreement or obligation to indemnify or "gross-up" any individual for any taxes or interest imposed on such individual pursuant to Section 409A of the Code.

(h) [Intentionally Deleted]

(i) The Company will not be required to include any item of income in, or exclude any item of deduction from, income for any Tax period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting on or prior to the Closing Date pursuant to Section 481(a) of the Code (or any comparable provision of other applicable Tax Laws), (ii) closing agreement described in Section 7121 of the Code (or any comparable provision of other applicable Tax Laws), (iii) installment sale or open transaction disposition made on or prior to the Closing Date, (iv) election under Section 108(i) of the Code, or (v) prepaid amount received on or prior to the Closing Date.

(j) The Company has disclosed on their Tax Returns all positions taken therein that would reasonably give rise to a substantial understatement of Tax within the meaning of Section 6662 of the Code. The Company has not (i) "participated" within the meaning of Treasury Regulation Section 1.6011-4(c)(3) in any "reportable transaction" or "listed transaction" within the respective meanings of such terms under Section 6707A(c) of the Code or (ii) entered into or engaged in any other transaction requiring disclosure under a comparable provision of other applicable Tax Laws.

(k) The Company has not been either a "distributing corporation" or a "controlled corporation" within the respective meanings of such terms under Section 355(a)(1)(A) of the Code in a distribution of stock qualifying under Section 355 of the Code (i) in the two years before the date of this Agreement or (ii) in a distribution that would otherwise constitute part of a "plan" or "series of related transactions" within the meaning of Section 355(e) of the Code in conjunction with the transactions contemplated by this Agreement.

(l) The Company has not been a United States real property holding corporation (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(m) No power of attorney with respect to any Taxes of or relating to the Company has been filed with the IRS or any other Governmental Authority.

Section 3.13 Conduct of Business. Except as set forth on Schedule 3.13, since December 31, 2015, the Company has not:

(a) amended its Governing Documents;

(b) made any change in its authorized capital stock (or other Equity Interests) or issued any shares of stock of any class (or other Equity Interests) (other than pursuant to outstanding Share Equivalents) or issued or become a party to any subscriptions, warrants, rights, options, convertible securities or other agreements or commitments of any character relating to the issued or unissued capital stock (or other Equity Interests) of the Company;

(c) sold or transferred any portion of its assets or property, except for sales and transfers in the ordinary course of business consistent with past practices;

(d) suffered any loss, or any interruption in use, of any assets or property (whether or not covered by insurance), whether on account of fire, flood, riot, strike, act of God or otherwise, that exceeded one hundred thousand dollars ($100,000);

(e) suffered any Material Adverse Effect;

(f) borrowed any money or issued any bonds, debentures, notes or other securities evidencing money borrowed, other than Indebtedness and in the ordinary course of business under existing revolving lines of credit; or paid any Indebtedness or other Liability, or discharged any Lien, other than in the ordinary course of business or as required by this Agreement;

(g) made any capital expenditure in an amount that exceeds one hundred thousand dollars ($100,000), or any capital expenditures in an aggregate amount that exceeds one hundred thousand dollars ($100,000);

(h) made any increase in the bonus, salary or other compensation or fringe benefits of any officer or employee of the Company other than in the ordinary course and consistent with past practices; or instituted or made any amendment to any employee benefit program or fringe benefit program with respect to the employees of the Company, except as required under the terms of this Agreement or applicable Law; or hired or terminated any employee who has an annual salary or wages in excess of one hundred thousand dollars ($100,000) or entered into or modified any written employment agreement with any Person; or made any loans or advances to any employees;

(i) directly or indirectly engaged in any transaction or arrangement with any officer, director, stockholder or Affiliate of the Company; or paid or incurred any management, investment advisor or consulting fees to any officer, director, stockholder or Affiliate of the Company;

(j) entered into, modified or terminated any Material Contract, or taken any act or omitted to take any act, or permitted any act or omission to occur, that caused or would reasonably be expected to cause a breach by the Company of any Material Contract; or made any material change in the manner in which the Company markets its products or services; or entered into any franchise, distributorship, sales representative, joint venture or similar agreement;

(k) delayed payment of any accounts payable or accelerated collection of accounts receivable, in each case other than in the ordinary course of business consistent with past practices; or waived any right or canceled or compromised any debt or claim, other than in the ordinary course of business consistent with past practices;

(l) amended any previously filed Tax Return of the Company, (i) made, revoked, or changed any Tax election of the Company, (ii) changed any Tax accounting method or Tax accounting practice of the Company, (iii) agreed to extend or waive the statutory period of limitations for the assessment or collection of any Tax, or (iv) settled, adjusted, or compromised any Tax Contest;

(m) made any change in policy with respect to the manner in which the Company extends discounts or credits to customers; or made any change in its cash management policies or practices or in its accounting methods, principles or practices;

(n) settled or compromised, or agreed to settle or compromise, any claim; or

(o) without limitation by the enumeration of any of the foregoing, entered into any material transaction other than in the ordinary course of business consistent with past practices.

Section 3.14 Contracts. Schedule 3.14 contains a true, correct and complete list of the following Contracts to which the Company is a party or is otherwise bound:

(a) plans, Contracts or arrangements with respect to Benefit Plans;

(b) Contracts for the employment or engagement of any officer, employee or other Person on a full-time, part-time, consulting or other basis that (i) provide annual cash or other compensation in excess of one hundred thousand dollars ($100,000) per year, (ii) provide for the payment of any cash or other compensation or benefits as a result of the execution of this Agreement or the other Transaction Documents and/or the consummation of the transactions contemplated hereby or thereby, and/or (iii) restrict the ability of the Company to terminate the employment of any employee or the consulting agreement of any Person at any time for any lawful reason or for no reason without Liability (including without limitation severance obligations);

(c) loan or credit agreements, promissory notes, bonds, debentures, security agreements, pledge agreements, mortgages, indentures, factoring agreements, guaranties, letters of credit, performance bonds, completion bonds, surety agreements, or similar financing arrangements;

(d) leases, subleases or licenses, either as lessee, sublessee or licensee or as lessor, sublessor or licensor, of any real property, personal property or intangibles, including capital leases;

(e) Contracts or series of related Contracts with customers, suppliers and vendors of the Company for the purchase or sale of goods or services, which cannot be canceled by the Company without payment or penalty upon notice of thirty (30) days or less, or whose unexpired term as of the Closing Date exceeds one (1) year;

(f) Contracts that involve any minimum sales or volume requirements, take-or-pay or similar commitments of the Company or any other Person;

(g) Contracts that involve any "Most Favored Nation" rights or obligations of the Company or other Person or any other similar provision;

(h) Contracts that restrict the ability of the Company to increase prices to a customer who purchased a material amount of product from the Company in the previous fiscal year, other than price quotations issued to large volume customers in the ordinary course of business consistent with past practices;

(i) Contracts of agency, sales representation, distribution or franchise that cannot be canceled by the Company without payment or penalty upon notice of thirty (30) days or less, and any powers of attorney or similar grants of agency;

(j) Contracts for the advertisement, display or promotion of any products or services that cannot be canceled by the Company without payment or penalty upon notice of thirty (30) days or less;

(k) Contracts restricting in any manner the Company's right (i) to compete with any Person, (ii) to sell goods or services to any Person, (iii) to purchase goods or services from any Person, or (iv) to solicit for employment or hire any Person;

(l) Contracts restricting in any manner any Person's right (i) to compete with the Company, (ii) to sell goods or services similar to those sold by the Company, (iii) to purchase goods or services from the Company, or (iv) to solicit for employment or hire any employee or consultant of the Company;

(m) Contracts that contains any provision pursuant to which the Company is obligated to indemnify or make any indemnification payments to any Person, other than with respect to standard terms and conditions of an agreement for the purchase or sale of products or services in the ordinary course of business;

(n) Contracts with respect to the acquisition or disposition of any business, assets or securities outside the ordinary course of business;

(o) limited liability company agreements, partnership agreements, joint venture agreements and all other similar Contracts (however named) that involve a sharing of profits, losses, costs or liabilities by the Company with another other Person; and

(p) each amendment, supplement and modification in respect of any of the foregoing.

All of the Contracts, set forth on, or required to be set forth on, Schedule 3.14 (the "**Material Contracts**") are in full force and effect and are valid and enforceable in accordance with their terms, except as may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies. The Company is in compliance with the terms and requirements of each such Material Contract and, to the Knowledge of the Company, each other Person that is party to such Material Contract is in compliance with the terms and requirements of such Material Contract. No event has occurred or circumstance exists that (with or without notice or lapse of time) will contravene, conflict with or result in a violation or breach of, or give the Company or any other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify, any Material Contract. Since January 1, 2014, no Person has made any written demand for renegotiation of any Material Contract. The Company has not released or waived any of its rights under any Material Contract. There has been made available to Purchaser in the Data Room a true, correct and complete copy of each Material Contract, together with all amendments, waivers and other changes thereto, and a true, correct and complete description of the material terms of all oral Material Contracts.

Section 3.15 Permits. Schedule 3.15 contains a true, correct and complete list of, and the Company possesses, all Permits that are required in order for the Company to conduct the Business as presently conducted and as presently proposed to be conducted. Sellers have made available to Purchaser true, correct and complete copies of each Permit in the Data Room. All of the Permits are in full force and effect. The Company has materially complied with since January 1, 2014, is in material compliance with, and since January 1, 2014 has operated its business and maintained its assets in material compliance with all terms and requirements of each of the Permits. Since January 1, 2014, the Company has not received any written notification from any Governmental Authority or other Person alleging any violation of any Permit by the Company.

Section 3.16 Compliance with Laws. The Company has materially complied with since January 1, 2014, is in material compliance with, and since January 1, 2014 has operated its business and maintained its assets in material compliance with, all applicable Laws and Orders and all agreements with any Governmental Authorities. The Company has not received any written notification from any Governmental Authority or other Person alleging any violation of any Law, Order or agreement with any Governmental Authority by the Company. No event has occurred or circumstance exists that (with or without notice or lapse of time) would reasonably be expected to cause the Company to be in violation of any applicable Law, Order or agreement with any Governmental Authority.

Section 3.17 Litigation, Claims and Awards. Except as set forth on Schedule 3.17, there are no, and since January 1, 2011 there have not been any, Proceedings of any kind or nature pending

or, to the Knowledge of the Company, threatened against the Company. Except as set forth on Schedule 3.17, the Company is not a party to, or otherwise bound by, any Order or other agreement entered into in connection with any Proceeding. Except as set forth on Schedule 3.17, there are no, and since January 1, 2011 there have not been any, Proceedings of any kind or nature pending or, to the Knowledge of the Company, threatened against any of the officers, directors or Affiliates of the Company that would reasonably be expected to adversely affect the business, operations (including results of operations), assets, liabilities, or condition (including financial condition) of the Company or the consummation of the transactions contemplated by this Agreement.

Section 3.18 Real Property. The Company does not own any real property. Schedule 3.18 identifies by street address all real property leased or subleased by the Company ("**Leased Real Property**"). All Leased Real Property is leased to the Company pursuant to written leases, true, correct and complete copies of which have been previously delivered to Purchaser in the Data Room. The Company has not subleased any Leased Real Property. All options in favor of the Company to extend the terms of the leases or to purchase the Leased Real Property, if any, are valid, binding in full force and effect.

Section 3.19 Environmental Matters.

(a) The Company is and since January 1, 2011 has been in material compliance with all applicable Environmental Laws, which compliance includes the possession by the Company of all permits and other governmental authorizations required under all applicable Environmental Laws, and compliance with the terms and conditions thereof, except for immaterial violations or deficiencies which are not reasonably expected to impair or delay the consummation of the transactions contemplated by this Agreement. Since January 1, 2011, the Company has not received any written communication, whether from a Governmental Authority, citizens group, employee or otherwise, that alleges that the Company is not in such compliance.

(b) There is no Environmental Claim pending or, to the Knowledge of the Company, threatened against the Company or, to the Knowledge of the Company, against any Person whose Liability for any Environmental Claim the Company has retained or assumed either contractually or by operation of law.

(c) To the Knowledge of the Company, without a duty of inquiry, there is no asbestos contained in or forming part of any building, building component, structure or office space owned, leased, operated or used by the Company.

(d) The Company has made available to Purchaser, in the Data Room, all assessments, reports, data, results of investigations or audits, and other information that are in the possession of to the Company regarding environmental matters pertaining to, or the environmental condition of, the Company's business, properties or assets, or the material compliance (or noncompliance) by the Company with any Environmental Laws.

Section 3.20 Intellectual Property.

(a) All Intellectual Property used by the Company in the operation of its business ("**Company Intellectual Property**") is either owned by the Company, free and clear of any and all Liens, or validly licensed to the Company pursuant to written agreements. Schedule 3.20(a) contains a true, correct and complete list of all of the Registered Intellectual Property and includes the current status of the corresponding registrations, filings, applications and payments (including the jurisdictions in which such filings have been made and the registration or application numbers identifying such Registered Intellectual Property). The Company owns good title to all of the Registered Intellectual Property, free and clear of any and all Liens. All fees, payments and filings due as of the Closing Date with respect to all of the Registered Intellectual Property have been duly made, and the due dates specified in Schedule 3.20(a) are true, correct and complete as of the Closing Date. All of the Registered Intellectual Property is subsisting and in full force and effect and has not expired or been cancelled or abandoned (except with respect to any Intellectual Property specifically identified in Schedule 3.20(a) as being "expired," "lapsed," or "abandoned"), and to the Knowledge of the Company, is valid. None of the Registered Intellectual Property is subject to a compulsory license. The Registered Intellectual Property has been prosecuted, issued, and maintained in accordance with the legal and administrative requirements of the appropriate jurisdictions. Except with respect to unregistered trademarks and service marks, each owner listed on Schedule 3.20(a) is listed in the records of the appropriate Governmental Authority as the owner of record of the Registered Intellectual Property.

(b) Schedule 3.20(b) sets forth a true, correct and complete list of all Intellectual Property Licenses. All of the Intellectual Property Licenses are in full force and effect and are valid and enforceable in accordance with their terms. The Company and, to the Knowledge of the Company and Sellers, each other Person that is party to such Intellectual Property License, is in compliance with all terms and requirements of such Intellectual Property License. No event has occurred or circumstance exists that (with or without notice or lapse of time) may contravene, conflict with or result in a violation or breach by the Company, or to the Knowledge of the Company, the other parties thereto, of, or give the Company or any other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify, any Intellectual Property License. There are no renegotiations, attempts to renegotiate or outstanding rights to negotiate any amount to be paid or payable to or by the Company under any Intellectual Property License, and no Person has made a written or oral demand for such renegotiation. The Company has not released or waived any of its rights under any Intellectual Property License.

(c) All employees of the Company who have made contributions to the development of any Company Intellectual Property have signed a confidentiality and intellectual property assignment agreement or employment or similar agreement containing confidentiality and intellectual property assignment provisions pursuant to which they have assigned to the Company all of their right, title and interest, if any, in and to the portions of such Company Intellectual Property developed by them in the course of their employment by the Company. All consultants and independent contractors engaged by the Company who have made contributions to the development of any Company Intellectual Property have entered into a work-made-for-hire or similar agreement or have otherwise assigned to the Company all of their right, title and interest (including moral rights, if any) in and to the portions of such Company Intellectual Property developed by them in

the course of their work for the Company. Other than the employees, consultants and contractors referred to in this Section 3.20(c), no Person has made any contribution to the development of any components of any Company Intellectual Property owned by the Company that would result in any such Person acquiring any right, title, or interest in or to such developments or any other Company Intellectual Property owned by the Company.

(d) The Company has used commercially reasonable efforts to protect the proprietary nature of its Company Intellectual Property and to maintain in confidence all of its trade secrets and confidential information. There has been no disclosure to any third party of any confidential information or trade secrets of the Company, except for disclosures to employees, contractors, consultants or other third parties under agreements that prohibit use or disclosure except in the performances of services to the Company.

(e) The conduct of the Business as currently conducted (including without limitation the design, development, reproduction, manufacture, branding, marketing, use, distribution, import, licensing, provision and sale of the Company's products and services) and the exercise of the rights of the Company relating to the Company Intellectual Property owned by the Company does not infringe upon, misappropriate or otherwise violate the intellectual property rights or other proprietary rights of any Person (including any right to privacy or publicity) or constitute unfair competition or trade practices under the Laws of any jurisdiction where the Company currently conduct business. Except as set forth on Schedule 3.20(e), the Company has not received notice of any written claims of any Persons relating to the scope, ownership or use of any of the Company Intellectual Property.

(f) To the Knowledge of the Company, no Person is misappropriating, infringing, diluting or otherwise violating any of the Company Intellectual Property owned by the Company. No Intellectual Property or other proprietary right misappropriation, infringement, dilution or violation Proceedings have been brought against any Person by the Company. All of the Company Intellectual Property owned by the Company is fully transferable, alienable or licensable by the Company without restriction and without payment of any kind to any Person. The Company has not licensed or sublicensed its rights in any of the Company Intellectual Property or received or granted, sold or otherwise disposed of any such rights, other than pursuant to Intellectual Property Licenses.

(g) Except as set forth on Schedule 3.20(g), the Company has not received notice of any pending or threatened Proceeding challenging the use, ownership, validity, enforceability or registerability of any of the Registered Intellectual Property or alleging that the activities or the conduct of the Business dilutes, misappropriates, infringes or constitutes the unauthorized use of, or will dilute, misappropriate, infringe upon or constitute the unauthorized use of, the Intellectual Property of any Person.

(h) Except as identified on Schedule 3.20(h), no third party that has licensed Intellectual Property to the Company has retained or been assigned by the Company sole ownership of or has retained or been granted by the Company exclusive license rights under any intellectual property rights in any improvements or derivative works made by the Company under such license.

(i) Except as set forth on Schedule 3.20(i), the Company is not restricted or limited from engaging in any line of business or from developing, using, making, selling, offering for sale any product, service or technology, other than any restrictions or limitations contained in the Off-the-Shelf Licenses. The Company has not agreed to any custom or negotiated restrictions or limitations in any Off-the-Shelf License.

(j) Schedule 3.20(j) lists all software that is distributed as "open source software" or under a similar licensing or distribution model (including the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL), the Sun Industry Standards License (SISL) and the Apache License) (collectively, "**Open Source Software**") that has been incorporated into, linked with, distributed with or used in the development of any Company Software. The Company has not used Open Source Software in any manner that (A) requires the disclosure or distribution in source code form of any Company Software, or any portion thereof other than such Open Source Software, (B) requires the licensing of any Company Software for the purpose of making derivative works, (C) imposes any restriction on the consideration to be charged for the distribution of any Company Software, or (D) imposes any other limitation, restriction or condition on the right of Company to use or distribute any of the Company Software. With respect to any Open Source Software that is used by the Company in the operation of its business, the Company is in compliance with all applicable licenses with respect thereto, complete copies of which have been made available to Purchaser.

(k) Except as set forth on Schedule 3.20(k), neither the Company nor any Person acting on its behalf has disclosed, delivered or licensed to any Person, agreed to disclose, deliver or license to any Person, or permitted the disclosure or delivery to any escrow agent or other Person of, any source code for any Company Software except for disclosures to employees, contractors or consultants under agreements that prohibit use or disclosure except in the performances of services to the Company. Neither this Agreement nor the transactions contemplated by this Agreement will result in, or entitle any Person to demand, the disclosure, delivery or license of any source code for any Company Software to any Person other than Purchaser.

(l) Schedule 3.20(l) contains a complete and accurate list (by name and version number) of all Company Software.

(m) The Company has and implements a policy to document all known bugs, errors and defects in the Company Software, and such documentation has been made available to Purchaser. There are no bugs, errors or defects in the Company Software that do, or may reasonably be expected to, adversely affect the value, functionality or fitness of the intended purpose of such Company Software.

(n) The following schedules set forth the information specified below. Copies of each of the agreements, evaluations and other materials referred to below have been made available to Purchaser.

(i) Schedule 3.20(n)(i) lists all third-party Software development tools and utilities used to develop and build the Company Software and identifies the agreements under which such tools and utilities were licensed.

(ii) Schedule 3.20(n)(ii) lists all third-party Software (other than Open Source Software distributed with the Company Software), and identifies the agreements under which such third-party Software has been licensed.

(iii) Schedule 3.20(n)(iii) identifies the physical location of the source code repository for the Company Software (including in-process development versions), which repository includes the source code and change history.

(iv) Schedule 3.20(n)(iv) lists all materials required to update or issue licenses for the Company Software, including materials for license key generation.

(o) The Company Software, the procedures and processes of the Company for developing, supporting and maintaining the Company Software, and the applications programming interfaces, protocols, data structures, command structures and other interfaces with respect to the Company Software are documented in a commercially reasonable manner that would permit Persons generally skilled in the subject matter of such Company Software (including applications therefor) (e.g., personnel experienced in the support of software, maintenance of network equipment, etc.) to develop, support and maintain such Company Software (including applications therefor) in accordance with industry standards and without material disruption or interruption or effect on performance.

Section 3.21 Employee Benefit Plans.

(a) Schedule 3.21(a) contains a true and complete list of all Benefit Plans. Neither the Company nor any ERISA Affiliate has any agreement, arrangement, commitment or obligation, whether formal or informal, whether written or unwritten and whether legally binding or not, to create, enter into or contribute to any additional Benefit Plan, or to modify or amend any existing Benefit Plan. There has been no amendment, interpretation or other announcement (written or oral) by the Company, any ERISA Affiliate or any other Person relating to, or change in participation or coverage under, any Benefit Plan that, either alone or together with other such items or events, could materially increase the expense of maintaining such Benefit Plan (or the Benefit Plans taken as a whole) above the level of expense incurred with respect thereto for fiscal year 2015. Each Benefit Plan can be amended or terminated by the Company or an ERISA Affiliate at any time (whether before or after the Closing) and without any liability or expense to the Company, any ERISA Affiliate, Purchaser, any of Purchaser's Affiliates or such Benefit Plan (other than for benefits earned or accrued through the date of termination or amendment, reasonable routine administrative expenses related thereto and any acceleration of vesting required under applicable Law).

(b) The Company has delivered to Purchaser, with respect to each Benefit Plan (to the extent applicable thereto) true, correct and complete copies of: (i) all documents embodying such Benefit Plan (including all amendments thereto) or, if such Benefit Plan is not in writing, a written description of such Benefit Plan; (ii) the last three annual reports (Form 5500 series and all

schedules and financial statements attached thereto) filed with respect to such Benefit Plan; (iii) the most recent summary plan description, and all summaries of material modifications related thereto, distributed with respect to such Benefit Plan; (iv) all Contracts relating to such Benefit Plan, including all trust agreements, investment management agreements, annuity contracts, insurance contracts, bonds, indemnification agreements and service provider agreements; (v) the most recent determination letter issued by the IRS with respect to such Benefit Plan or, if reliance is permitted under applicable IRS guidance, the favorable opinion letter or advisory letter of the master and prototype or volume submitter plan sponsor of such Benefit Plan; (vi) the most recent annual actuarial valuation prepared for such Benefit Plan, if any; (vii) the most recent financial statement prepared for such Benefit Plan; (viii) all written communications to employees, or to any other individuals, to the extent that the provisions of such Benefit Plan as described therein differ from such provisions as set forth or described in the other information or materials furnished under this Section 3.21(b); (ix) all non-routine correspondence to or from a Governmental Authority relating to such Benefit Plan; and (x) all coverage, nondiscrimination, top heavy and Code Section 415 tests performed with respect to such Benefit Plan for the three most recently completed plan years.

(c) With respect to each Benefit Plan: (i) such Benefit Plan was properly and legally established; (ii) such Benefit Plan is, and at all times since inception has been, maintained, administered, operated and funded in all material respects in accordance with its terms and in compliance with all applicable provisions of all applicable Laws, including, without limitation, ERISA and the Code; (iii) the Company, each ERISA Affiliate and to the Knowledge of the Company, each other Person (including each fiduciary of such Benefit Plan) have properly performed all of their duties and obligations (whether arising by operation of Law, by contract or otherwise) under or with respect to such Benefit Plan, including, without limitation, all fiduciary, reporting, disclosure, and notification duties and obligations; (iv) all returns, reports (including all Form 5500 series annual reports, together with all schedules and audit reports required with respect thereto), notices, statements and other disclosures relating to such Benefit Plan required to be filed with any Governmental Authority or provided to any Benefit Plan participant (or the beneficiary of any such participant) have been properly filed or provided on or before their respective due dates and were accurate in all material respects when so filed or provided (or subsequently amended accordingly); (v) none of the Company, any ERISA Affiliate or any fiduciary of such Benefit Plan has engaged in any transaction or acted or failed to act in a manner that violates the fiduciary requirements of ERISA or any other applicable Law; (vi) no transaction or event has occurred or is threatened or about to occur (including, without limitation, any of the transactions contemplated in or by this Agreement) that constitutes or could constitute a prohibited transaction under Section 406 or 407 of ERISA or under Section 4975 of the Code for which an exemption is not available; (vii) all contributions, premiums and other payments due or required to be paid by the Company to (or with respect to) such Benefit Plan have been paid on or before their respective due dates and within the applicable time period prescribed by ERISA, if any, or, if not yet due, have been accrued as a Liability on the Financial Statements; and (viii) neither the Company nor any ERISA Affiliate has incurred, and there exists no condition or set of circumstances in connection with which the Company, any ERISA Affiliate or Purchaser could incur, directly or indirectly, any material liability or expense under ERISA, the Code or any other applicable Law, or pursuant to any indemnification or similar agreement, with respect to such Benefit Plan.

(d) Each Benefit Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and its related trust and/or group annuity contract is exempt from taxation under Section 501(a) of the Code. Each such Benefit Plan: (i) is the subject of an unrevoked favorable determination letter from the IRS with respect to such Benefit Plan's qualified status under the Code, which determination letter takes into account all Laws (and all changes thereto) for which such a determination letter may be sought; (ii) has a timely filed request for such a determination letter pending with the IRS or has remaining a period of time under the Code or applicable Treasury Regulations or IRS pronouncements in which to request, and to adopt any amendments necessary to obtain, such a letter from the IRS; or (iii) is a prototype or volume submitter plan entitled, under applicable IRS guidance, to rely on the favorable opinion or advisory letter issued by the IRS to the sponsor of such prototype or volume submitter plan. Nothing has occurred, or is reasonably expected by the Company or any ERISA Affiliate to occur, that would adversely affect the qualification or exemption of any such Benefit Plan or its related trust or group annuity contract or require the filing of a submission under the IRS's employee plans compliance resolution system or the taking of any corrective action pursuant to such system in order to maintain the qualified status of such Benefit Plan. No such Benefit Plan is a "top-heavy plan," as defined in Section 416 of the Code.

(e) None of the Company or any ERISA Affiliate sponsors, maintains or contributes to or has ever sponsored, maintained or contributed to (or been obligated to sponsor, maintain or contribute to), or has any Liability or potential Liability with respect to: (i) any "multiemployer plan," as defined in Section 3(37) or 4001(a)(3) of ERISA or 414(f) of the Code; (ii) any "multiple employer plan," within the meaning of Section 210, 4063 or 4064 of ERISA or Section 413(c) of the Code; (iii) any employee benefit plan that is subject to Section 302 of ERISA, Title IV of ERISA or Section 412 of the Code; (iv) any "multiple employer welfare arrangement," as defined in Section 3(40) of ERISA; (v) any self-funded (or self-inured) group health plan; or (vi) any employee benefit plan, program, policy or arrangement covering employees outside of the United States or subject to the Laws of any jurisdiction other than the United States.

(f) None of the Benefit Plans provides severance, life insurance, medical or other welfare benefits (within the meaning of Section 3(1) of ERISA) to any current or former employee of the Company or any ERISA Affiliate (or to any other Person) after his or her termination of employment or service, and neither the Company nor any ERISA Affiliate has ever represented, promised or contracted (whether in written or oral form) to any such employee or former employee (or to any other Person) that such benefits would be provided, except to the extent required by COBRA.

(g) There are no actions, suits or claims (other than routine claims for benefits) pending or, to the Knowledge of Company, threatened with respect to (or against the assets of) any Benefit Plan, nor, to the Knowledge of the Company, is there any basis for any such action, suit or claim. No Benefit Plan is currently under investigation, audit or review, directly or indirectly, by any Governmental Authority, and, to the Knowledge of the Company and each ERISA Affiliate, no such action is contemplated or under consideration by any Governmental Authority.

(h) None of the Company or any ERISA Affiliate has received services from (i) any individual whom Company or an ERISA Affiliate treated as an independent contractor, but who should have been treated as a common law employee of the Company or ERISA Affiliate, or (ii) any individual who constituted a leased employee of Company or an ERISA Affiliate under Section 414(n) of the Code.

(i) The Company, each ERISA Affiliate and each Benefit Plan that is a "group health plan" as defined in Section 733(a)(1) of ERISA (each, a "**Health Plan**") (i) is currently in compliance with the Patient Protection and Affordable Care Act, Pub. L. No. 111-148 ("ACA"), the Health Care and Education Reconciliation Act of 2010, Pub. L. No.111-152 (" **HCERA**"), and all regulations and guidance issued thereunder (collectively, with ACA and HCERA, the " **Health Care Reform Laws**") and (ii) has been in material compliance with all Health Care Reform Laws since March 23, 2010, in the case of each of clause (i) and (ii), to the extent the Health Care Reform Laws are applicable thereto. No event has occurred, and no condition or circumstance exists, that would reasonably be expected to subject Company, any ERISA Affiliate or any Health Plan to penalties or excise taxes under Code Section 4980D or 4980H or any other provision of the Health Care Reform Laws. Any Health Plan intended to qualify as "grandfathered" under Section 1251 of the ACA has continuously satisfied the requirements to be a grandfathered plan since March 23, 2010. No Benefit Plan is a (pre- or after-tax) "employer payment plan" or a health reimbursement arrangement not integrated with an otherwise compliant group health plan (within the meaning of IRS Notice 2013-54 and any subsequent guidance).

(j) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement (either alone or upon the occurrence of any additional or subsequent event(s)) will: (i) entitle any individual to a transaction bonus, change-in-control payment, severance pay, unemployment compensation or any other payment from the Company, ERISA Affiliate, or any Benefit Plan; (ii) otherwise increase the amount of compensation due to any such employee or forgive indebtedness owed by any individual; (iii) result in any benefit or right becoming established or increased, or accelerate the time of payment or vesting of any benefit under any Benefit Plan, except to the extent required by Section 411(d)(3) of the Code; (iv) require the Company or any ERISA Affiliate to transfer or set aside any assets to fund or otherwise provide for any benefits for any individual; or (v) impair any of the rights of the Company or any ERISA Affiliate with respect to any Benefit Plan (including, without limitation, the right to amend or terminate any Benefit Plan at any time and without any liability or expense to the Company, any ERISA Affiliate, Purchaser, any of Purchaser's Affiliates, or such Benefit Plan (other than for benefits earned or accrued through the date of termination or amendment, reasonable ordinary administrative expenses related thereto and any acceleration of vesting required under applicable Law)).

Section 3.22 Employee Relations.

(a) Except as set forth on Schedule 3.22(a), (i) no director, officer or employee of the Company shall be entitled to any transaction bonuses, change-in-control payments, severance rights, deferred compensation payments, withdrawal liability under Multiemployer Plans and similar obligations that are triggered by the transactions contemplated in this Agreement.; (ii) all

employee bonus payments earned for the fiscal year ended December 31, 2015 have been paid in full to each employee of the Company; and (iii) no bonuses to any director, officer or employee of the Company are currently earned and unpaid.

(b) To the Knowledge of the Company, no employee of the Company is a party to, or otherwise bound by, any agreement, including any confidentiality, non-competition or proprietary rights agreement, between such employee and the Company or any other Person that materially adversely affects or will affect the performance of such employee's duties as an employee of the Company following the Closing. To the Knowledge of the Company, no officer of the Company or Key Seller intends to terminate employment with the Company prior to, at or following the Closing.

(c) To the Knowledge of the Company, no employees, independent contractors, contractors for services, or consultants of the Company are in material violation or breach of any term of any employment contract, invention assignment agreement, patent disclosure agreement, non-competition agreement, non-solicitation agreement, restrictive covenant, statutory obligation, fiduciary duty or any other common law obligation owed to any former employer, contractor, customer or client, relating to the right of any such employee, contractor or consultant to be employed by the Company because of the nature of the business conducted by the Company or to the use of trade secrets, confidential or proprietary information of others. Since January 1, 2014, the Company has not received any written notice alleging that any such violation has occurred.

(d) There is not presently any pending or, to the Knowledge of the Company, threatened: (i) strike, slowdown, picketing, work stoppage or employee grievance process affecting the Company; or (ii) charge, grievance Proceeding or other claim against or affecting the Company relating to the alleged violation of any Law pertaining to labor relations or employment matters, including any charge or complaint filed by an employee or union with the National Labor Relations Board, the Equal Employment Opportunity Commission or any comparable Governmental Authority for which the Company has received written notice. The Company is in compliance in all material respects with the United States Immigration Reform and Control Act.

(e) All material personnel policies and procedures applicable to employees of the Company are in writing. The Company has made available to Purchaser in the Data Room, true, complete and correct copies of all written personnel manuals, handbooks, policies, rules or procedures applicable to employees of the Company.

(f) To the Knowledge of the Company, no current or former director, officer or employee of the Company has any valid claim against the Company (whether under Law, any employment agreement or otherwise) on account of or for: (i) overtime pay, other than overtime pay for the current payroll period; (ii) wages or salaries, other than wages or salaries for the current payroll period; (iii) vacations, holidays, sick leave, time off or pay in lieu of vacation, holiday, sick leave or time off, other than vacation, holiday, sick leave or time off (or pay in lieu thereof) earned in the eighteen (18)-month period immediately prior to the date of this Agreement; or (iv) any other amounts (including bonuses, benefits, reimbursement of business expenses or other employment-related payments) other than amounts accrued for on the Financial Statements. The Company have made all required payments to the relevant unemployment compensation reserve account with the

appropriate governmental departments with respect to their employees, and such accounts have positive balances.

(g) Schedule 3.22(g) contains a true, correct and complete list of all employees of the Company as of the date of this Agreement whose annual compensation exceeds one hundred thousand dollars ($100,000), together with their respective base salaries, bonuses and positions. Schedule 3.22(g) correctly states the number of employees laid off by the Company in the ninety (90) days preceding the date hereof.

(h) The employment of the Company' employees is terminable at will without cost to the Company except for payments required under the Benefit Plans and the payment of accrued salaries or wages and vacation pay.

(i) There are no outstanding loans between the Company and its employees. No assurances or undertakings have been given to any of the employees of the Company as to the continuation, introduction, increase or improvement of any terms and conditions, remuneration, benefits or other bonus or incentive scheme.

Section 3.23 Customers. No customer of the Company that has purchased one hundred thousand dollars ($100,000) or more of products or services from the Company during any of the three most recent fiscal years ended has indicated that it intends to terminate its business relationship with the Company or that it intends to limit or alter its business relationship with the Company in any material respect. Neither the Company nor Sellers have any actual knowledge of any past or present fact, situation, circumstance, status, condition, occurrence, event or transaction that would reasonably be anticipated to cause or result in the termination, limitation or alteration of the business relationship between any such customer and the Company other than as generally applicable to the industry of the Company.

Section 3.24 Products and Services.

(a) The products and services developed, distributed, licensed, sold, delivered, or leased by the Company since its inception (the "**Products**") have conformed in all material respects with (i) all applicable contractual commitments, including all express and implied warranties of the Company, (ii) the Company's published product specifications, and (iii) with all regulations and other mandatory requirements of any applicable Governmental Authority.

(b) Schedule 3.24(b) lists all agreements pursuant to which the Company is obligated to provide maintenance, support or similar services with respect to the Products (such agreements, the "**Support Agreements**"). No Support Agreement obligates the Company to provide any improvement, enhancement, change in functionality or other alteration to the performance of any product, other than error corrections and upgrades if and when made available to the Company's customers generally. The Company has not granted any other Persons the right to furnish support or maintenance services with respect to any Products.

Section 3.25 Bank Accounts. Schedule 3.25 contains a list showing: (a) the name of each bank, safe deposit company or other financial institution in which the Company has an account,

lock box or safe deposit box; (b) the names of all Persons authorized to draw thereon or to have access thereto and the names of all Persons, if any, holding powers of attorney from the Company; and (c) all instruments or agreements to which the Company is a party as an endorser, surety or guarantor, other than checks endorsed for collection or deposit in the ordinary course of business consistent with past practices.

Section 3.26 Related Parties Transactions. The Company has not entered into any Contracts or other ongoing business relationships with any Related Party other than normal employment arrangements and Benefit Plans. The Company is not owed nor owes any amount from or to the Related Parties (excluding employee compensation and other ordinary incidents of employment). None of the Company or, to the Knowledge of the Company, any Seller or any Related Party has an interest directly or indirectly in any business, corporate or otherwise, that is in competition with the Business.

Section 3.27 Brokers. With the exception of Pacific Crest Securities, none of Sellers, any of their Affiliates or the Company has dealt with any Person who is entitled to a broker's commission, finder's fee, investment banker's fee or similar payment from Purchaser or the Company for arranging the transactions contemplated by this Agreement or introducing the parties to each other.

Section 3.28 No Omissions. The representations and warranties of the Company and Sellers in this Agreement, and all representations, warranties and statements of the Company and Sellers contained in any schedule, financial statement, exhibit, list or document delivered pursuant hereto or in connection herewith, do not omit to state a material fact necessary in order to make the representations, warranties or statements contained herein or therein not misleading.

ARTICLE IV
INDIVIDUAL REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller hereby represents and warrants to Purchaser with respect to such Seller (and only such Seller) that the statements set forth in this Article IV with respect to such Seller are true and correct as of the date of this Agreement (unless made as of a specific date, in which case such representations and warranties are true and correct as of such date). No specific representation or warranty shall limit the generality or applicability of a more general representation or warranty.

Section 4.1 Organization, Existence and Good Standing. If Seller is a corporation, limited partnership, limited liability company, bank, trust company, trust or other entity, Seller is duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation, formation or organization (as applicable). Seller has full power and authority to own all of its properties and assets and to carry on its business as presently conducted, except where the failure to have such power and authority would not have a Material Adverse Effect.

Section 4.2 Power and Authority. Seller has full power and authority to execute and perform this Agreement and all the other Transaction Documents to be executed or delivered by Seller in connection with the transactions contemplated by this Agreement. If Seller is a corporation, limited partnership, limited liability company, bank, trust company, trust or other entity, the execution and delivery of this Agreement and the other Transaction Documents by Seller and the

performance by it of all of its obligations under this Agreement and the other Transaction Documents have been duly approved prior to the date of this Agreement by all requisite action of its board of directors. The approval of Seller's stockholders for Seller to execute this Agreement and the other Transaction Documents to which Seller is a party or consummate the transactions contemplated by this Agreement is either not required or has been duly given. No other approvals or actions are necessary on the part of Seller to authorize the execution, delivery and performance of this Agreement and the other Transaction Documents by Seller and the consummation by Seller of the transactions contemplated herein and therein.

Section 4.3 Enforceability. This Agreement has been duly authorized, executed and delivered by Seller and constitutes a legal, valid and binding agreement of Seller, enforceable against Seller in accordance with its terms, except to the extent enforcement may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies. At the Closing, the Transaction Documents to be executed and delivered by Seller will be duly executed and delivered by Seller and will constitute valid and binding obligations of Seller, enforceable in accordance with their terms, except to the extent enforcement may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies.

Section 4.4 Consents; Non-contravention. Seller does not need to give any notice to, make any filing with or obtain any authorization, consent, Order or approval of any Governmental Authority or any other Person in connection with the execution and delivery of this Agreement and the other Transaction Documents or the consummation of the transactions contemplated herein and therein. Neither the execution, delivery and performance of this Agreement and the other Transaction Documents, nor the consummation of the transactions contemplated herein and therein: (a) will violate any provision of the Governing Documents of Seller (if Seller is a corporation, limited partnership, limited liability company, bank, trust company, trust or other entity); (b) will conflict with, result in a breach of, constitute a default under, result in the acceleration of, or constitute an event creating rights of acceleration, termination, modification or cancellation under any material Contract or Permit to which Seller is a party, subject or otherwise bound; (c) will violate any Law or Order to which Seller or any of Seller's assets is subject or otherwise bound; or (d) will result in the creation or imposition of any Lien upon any of the assets of Seller.

Section 4.5 Title to Shares. Seller owns the number of Shares and Share Equivalents listed opposite Seller's name on Schedule 3.5, free and clear of all Liens, other than agreements between the Company and Sellers that will be terminated as of the Closing.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to the Company and Sellers that the statements set forth in this Article V are true and correct as of the date of this Agreement (unless made as of a specific date, in which case such representations and warranties are true and correct as of such date). No specific representation or warranty shall limit the generality or applicability of a more general representation or warranty.

Section 5.1 Organization, Existence and Good Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the state of Delaware.

Section 5.2 Power and Authority. Purchaser has full corporate power and authority to enter into and perform this Agreement and all the other Transaction Documents to be executed or delivered by Purchaser in connection with the transactions contemplated by this Agreement. The execution, delivery and performance of this Agreement and the other Transaction Documents by Purchaser and the consummation by Purchaser of the transactions contemplated in this Agreement.

Section 5.3 Enforceability. This Agreement has been duly authorized, executed and delivered by duly authorized officers or other signatories of Purchaser and constitutes a valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except to the extent enforcement may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies. At the Closing, the Transaction Documents to be executed and delivered by Purchaser will be duly executed and delivered by duly authorized officers of Purchaser and will constitute valid and binding obligations of Purchaser, enforceable in accordance with their terms, except to the extent enforcement may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies.

Section 5.4 Brokers. Neither Purchaser nor any of its Affiliates has dealt with any Person who is entitled to a broker's commission, finder's fee, investment banker's fee or similar payment for arranging the transactions contemplated by this Agreement or introducing the parties to each other.

ARTICLE VI
COVENANTS OF THE COMPANY AND SELLERS

Section 6.1 Non-Competition. In consideration of the benefits of this Agreement to Sellers and in order to induce Purchaser to enter into this Agreement, each Key Seller hereby individually covenants and agrees that, from and after the Closing and until the third anniversary of the Closing Date, such Key Seller and its Affiliates shall not, directly or indirectly, as a partner, stockholder, member, proprietor, consultant, joint venturer, investor or in any other capacity, engage in, or own, manage, operate or control, or participate in the ownership, management, operation or control of, any business or entity that engages in any business that is in direct or indirect competition with the Business as presently conducted or as proposed to be conducted; provided, however, that nothing herein shall prohibit any Seller and its Affiliates from owning, in the aggregate, not more than five percent (5%) of any class of securities of a publicly traded entity in any of the foregoing lines of business so long as neither such Seller nor any of its Affiliates participates in any way in the management, operation or control of such entity.

Section 6.2 Non-Solicitation of Customers and Suppliers. In consideration of the benefits of this Agreement to Sellers and in order to induce Purchaser to enter into this Agreement, each Key Seller hereby individually covenants and agrees that, from and after the Closing and until the third anniversary of the Closing Date, such Key Seller and its Affiliates shall not, directly or

indirectly, as a partner, stockholder, member, proprietor, consultant, joint venturer, investor or in any other capacity, solicit or attempt to solicit or take any actions calculated to persuade (or that would otherwise reasonably be expected to cause) any Person who is a customer, supplier, distributor, licensor, licensee, sales representative, sales agent, consultant or any other business relation of the Company prior to or after the Closing to cease doing business with, or to alter or limit its business relationship with, the Company. Neither such Key Seller nor any of its Affiliates shall take any action designed or intended to have the effect of discouraging any customer, supplier, distributor, licensor, licensee, sales representative, sales agent, consultant or any other business relation of the Company from maintaining the same business relationships with the Company after the Closing as such Person maintained with the Company prior to the Closing.

Section 6.3 Non-Solicitation of Employees. In consideration of the benefits of this Agreement to Sellers and in order to induce Purchaser to enter into this Agreement, each Key Seller hereby individually covenants and agrees that, from and after the Closing and until the third anniversary of the Closing Date, such Key Seller and its Affiliates shall not, directly or indirectly, as a partner, stockholder, member, proprietor, consultant, joint venturer, investor or in any other capacity, hire or solicit to perform services (as an employee, consultant or otherwise) any Persons who are or, within the twelve (12)-month period immediately preceding such Key Seller's or such Affiliate's action, were employees of the Company or take any actions intended to persuade any such employee of the Company to terminate his or her association with the Company; provided, however, that general solicitations of employment published in a journal, newspaper or other publication of general circulation or listed on any internet job site and not specifically directed towards such employees shall not be deemed to constitute solicitation for purposes of this Section 6.3.

Section 6.4 Confidentiality. In consideration of the benefits of this Agreement to Sellers and in order to induce Purchaser to enter into this Agreement, (i) each Seller hereby individually covenants and agrees that, from and after the Closing such Seller and its Affiliates shall keep confidential and not disclose to any other Person any confidential information regarding the Company, and (ii) each member of the Seller Group hereby individually covenants and agrees that, from and after the Closing, such member and its Affiliates shall not use for their own benefit or the benefit of any other Person any confidential information regarding the Company. The obligation of each Seller and its Affiliates under this Section 6.4 shall not apply to information that: (a) is or becomes generally available to the public without breach of the commitment provided for in this Section 6.4; or (b) is required to be disclosed by Law or Order of a court or tribunal or other Governmental Authority, provided that such Key Seller shall notify Purchaser as early as reasonably practicable prior to disclosure to allow Purchaser to take appropriate measures to preserve the confidentiality of such information.

Section 6.5 Additional Agreements Regarding Restrictive Covenants. Each of the parties agrees that the relevant public policy aspects of the covenants contained in Section 6.1, Section 6.2 and Section 6.3 have been discussed, and that every effort has been made to limit the restrictions placed upon each Key Seller and its Affiliates to those that are reasonable and necessary to protect Purchaser's legitimate interests. Accordingly, each Key Seller agrees that the covenants contained in Section 6.1, Section 6.2 and Section 6.3 are reasonable with respect to duration, geographical

area and scope. Each Seller further acknowledges that the covenants in Section 6.1, Section 6.2 and Section 6.3 are a material inducement for Purchaser to enter into this Agreement. If any covenant in Section 6.1, Section 6.2 and Section 6.3 is held to be unreasonable, arbitrary, or against public policy, the parties agree that such covenant will be considered to be divisible with respect to scope, time, and geographic area, and such lesser scope, time, or geographic area, or all of them, as a court of competent jurisdiction may determine to be reasonable, not arbitrary, or not against public policy, will be effective, binding, and enforceable against each of the Key Sellers and their respective Affiliates. Each Key Seller acknowledges that a breach or threatened breach of any of the covenants contained in Section 6.1, Section 6.2, Section 6.3 and Section 6.4 may give rise to an irreparable harm to Purchaser for which monetary damages may not be an adequate remedy, and each Key Seller agrees that in the event of a breach or threatened breach by such Key Seller of any such covenants, then in addition to any and all other rights and remedies that may be available to it in respect of such breach, Purchaser will be entitled to seek equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction.

Section 6.6 Covenant Terminating 401(k) Plan. Prior to the Closing Date, the Company shall (a) have terminated each Benefit Plan that is intended to constitute a 401(k) plan (each, a "**Company 401(k) Plan**") effective no later than the day immediately preceding the Closing Date; (b) adopted any and all amendments to each Company 401(k) Plan as may be necessary to ensure compliance with all applicable requirements of the Code (including all qualification requirements); and (c) taken all other actions as Purchaser may direct in connection with the termination of any Company 401(k) Plan. The Company shall, prior to the Closing Date, provide Purchaser with evidence satisfactory to Purchaser that: (x) each Company 401(k) Plan has been terminated effective no later than the day before the Closing Date pursuant to resolutions of the board of directors (or other governing body) of the Company (the form and substance of such resolutions shall be subject to the prior review and approval of Purchaser); (y) each Company 401(k) Plan has been amended to ensure compliance with all applicable requirements of the Code, including all qualification requirements (the form and substance of such amendments shall be subject to the prior review and approval of Purchaser); and (z) all other actions directed by Purchaser in connection with the termination of any Company 401(k) Plan have been taken.

Section 6.7 Covenant Regarding Discharge of Indebtedness. Prior to the Closing Date, the Indebtedness shall have been paid off by the Company and discharged in full.

Section 6.8 Company Indemnification.

(a) Prior to the Closing, the Company shall obtain a fully prepaid (or "tail") directors' and officers' liability insurance policy covering each officer and director currently covered by the Company's directors' and officers' liability insurance policy for acts or omissions occurring prior to the Closing Date with respect to any matter claimed against such Person by reason of him or her serving in such capacity on terms (including with respect to coverage and amount) no less favorable in the aggregate than those of such policy in effect on the date of this Agreement, with coverage for no less than six (6) years following the Closing Date; and the cost of such policy shall be deemed a Transaction Expense. Purchaser shall not take any action that would result in the such

policy not being in full force and effect for such six year period following the Closing Date provided, for purposes of clarification, neither Purchaser nor Company shall be required to pay any premiums or incur any other costs or expenses in order to maintain such policy.

(b) The Governing Documents shall contain provisions no less favorable with respect to indemnification, advancement of expenses and exculpation of former or present directors and officers (the "**Indemnified Company Officers and Directors**") than are set forth in the Governing Documents as in effect immediately prior to the Closing Date, which provisions shall not be amended, repealed or otherwise modified for a period of six years from the Closing Date in any manner that would adversely affect the rights thereunder of any such Indemnified Company Officer and Director; provided, however that Purchaser shall have no obligation to maintain the existence of Company for any specified period following the Closing Date; and, provided, further, that if Company's existence shall cease, proper provision shall be made so that the successors and assigns of Company, shall assume the obligations set forth in this Section 6.8.

(c) Notwithstanding the foregoing, the obligations of Purchaser pursuant to this Section 6.8: (a) shall be subject to all limitations and qualifications under applicable Law as in effect from time to time and (b) shall not release or excuse any Person from its obligations under this Agreement or any other Transaction Document. No Person shall have any right of contribution, indemnification, exculpation or right to advancement of expenses from Purchaser with respect to any Damages claimed by Purchaser against such Person pursuant to Article VII, and if any Indemnified Company Officer and Director seeks indemnification pursuant to this Section 6.8, the amount of such claim is Damages that may be claimed by Parent or Surviving Corporation pursuant to Article VII to the extent that the subject matter is a breach of any representation or warranty of Company or Seller in this Agreement or in any Transaction Document.

Section 6.9 Guaranty. Aspen Technology, Inc., a Delaware corporation (the "**Guarantor**"), hereby unconditionally and irrevocably guarantees to the Sellers, and their successors and permitted assigns, the due and punctual payment and performance by the Purchaser of the payment and performance of the obligations of Purchaser under Section 2.7 (the "**Guaranteed Obligations**"); provided, however, that Guarantor shall have no obligation to make payment with respect to or otherwise perform a Guaranteed Obligation unless and until such Guaranteed Obligation has become due, written demand for payment or performance has been made to Purchaser, and Purchaser has failed to make payment or otherwise perform within ten (10) days of such demand. Except as set forth above, (i) Guarantor waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel the Sellers to proceed in respect of the Guaranteed Obligations against Purchaser or any other party or against any security for the payment and performance of the Guaranteed Obligations before proceeding against, or as a condition to proceeding against, Guarantor; (ii) the Sellers shall not be obligated (although it is entitled, at its option) to proceed against Purchaser before seeking satisfaction from Guarantor; and (iii) Guarantor unconditionally waives, to the fullest extent permitted by law, (w) notice of any matters described herein, (x) all notices which may be required by statute, rule or law to preserve intact any rights against Guarantor, including any demand, presentment and protest, proof of notice of nonpayment under this Agreement and notice of default or any failure of Purchaser to perform or comply with any term, covenant or condition of this Agreement, (y) any requirement of diligence

or, except as specifically provided in this Agreement, to exhaust any remedies or to mitigate damages resulting from Purchaser's default under this Agreement, and (z) any defense based on any statute of limitations. Guarantor hereby represents and warrants to the Sellers as of the date hereof that: (I) it possesses full corporate power and authority to execute and deliver this Agreement and to guarantee the Guaranteed Obligations in accordance with the provisions hereof; (II) the execution and delivery of this Agreement has been duly authorized by all requisite corporate action on the part of it; and (III) this Agreement has been duly and validly executed and delivered by it and constitutes the valid and binding obligation of it, enforceable against it in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles.

ARTICLE VII
INDEMNIFICATION

Section 7.1 Sellers' Indemnification Obligations.

(a) Subject to the provisions of this Article VII, Seller Group and PTC shall indemnify, defend and hold harmless (on a several and not joint basis) Purchaser and its Affiliates (including the Company) and each of their respective directors, managers, officers, members, stockholders, partners, employees, agents, representatives, successors and assigns ("**Purchaser Indemnitees**"), for, from and against any and all Damages sustained or incurred by any Purchaser Indemnitee to the extent caused by, arising out of, resulting from, attributable to or in any way incidental to the occurrence of:

(i) any inaccuracy in or breach of any representation and warranty made by the Company herein in each case without giving effect to any "materiality" or "**Material Adverse Effect**" qualifications therein;

(ii) any Indebtedness or Transaction Expenses that are not paid or satisfied in full at the Closing;

(iii) any Taxes that are not paid or satisfied in full as of the Closing Date and that are imposed on the Company with respect to (i) any taxable period ending on or before the Closing Date, or (ii) the portion through the end of the Closing Date of any Straddle Period (as calculated in the manner set forth in Section 8.2), in each case to the extent the Liability for such Taxes exceeds the amount of such Taxes taken into account in the computation of Final Closing Date Working Capital;

(iv) license fees owed and not paid as of the Closing Date, net of the "reserve for software license" on the Preliminary Closing Date Balance Sheet, for specified licenses of "off-the-shelf" software currently used in the Company's business; and

(v) any breach by the Seller Representative of, or any failure of the Seller Representative to comply with, any of the covenants or other obligations under this Agreement or in any Transaction Document to be performed or complied with by the Seller Representative (including obligations under this Article VII).

(b) Subject to the provisions of this Article VII, each Seller shall indemnify, and hold harmless (on several and not on a joint basis) Purchaser Indemnitees for, from and against any and all Damages sustained or incurred by any Purchaser Indemnitee to the extent caused by, arising out of, resulting from, attributable to or in any way incidental to the occurrence of:

(i) any inaccuracy in or breach of any representation and warranty made by such Seller herein in each case without giving effect to any "materiality" or "**Material Adverse Effect**" qualifications therein; and

(ii) any breach by such Seller of, or any failure of such Seller to comply with, any of the covenants or other obligations under this Agreement or in any Transaction Document to be performed or complied with by such Seller.

Section 7.2 Survival

(a) Except as provided in Section 7.2(b), the representations and warranties of the Company and Sellers contained in this Agreement and all related rights to indemnification shall survive the Closing as set forth in this Section 7.2 and shall terminate on the date that is eighteen (18) months after the Closing Date. Each agreement, covenant or obligation contained in this Agreement, and all associated rights to indemnification, shall survive the Closing and shall continue in full force thereafter until all Liability hereunder relating thereto is barred by all applicable statutes of limitation, subject to any applicable limitation expressly stated herein.

(b) Notwithstanding Section 7.2(a), (i) all Claims and related rights to indemnification based on fraud or willful misrepresentation of on a breach or inaccuracy of a Fundamental Representation shall survive the Closing indefinitely; (ii) all Claims and related rights to indemnification based on a breach or inaccuracy of any Extended Representation shall survive the Closing until thirty (30) days after the expiration of the applicable statute of limitations, and (iii) all Claims and related rights to indemnification based on a breach or inaccuracy of Section 3.20 shall survive the Closing until the 36-month anniversary of the Closing Date.

(c) For each Claim for indemnification hereunder regarding a representation, warranty, agreement, covenant or obligation that is made pursuant to Section 7.4(a) before the expiration of such representation, warranty, agreement, covenant or obligation, such Claim and associated right to indemnification will not terminate until the final determination and satisfaction of such Claim.

(d) It is the express intent of the parties that, if the applicable survival period for an item as contemplated by this Section 7.2 is longer than the statute of limitations that would otherwise have been applicable to such item, then, by contract, the applicable statute of limitations with respect to such items shall be increased to the extended survival period contemplated hereby. The parties further acknowledge that the survival periods set forth in this Section 7.2 for the assertion of claims under this Agreement are the result of an arm's-length negotiation among the parties and that the parties intend for the time periods to be enforced as agreed by the parties.

Section 7.3 Limitation on Sellers' Indemnification Obligations. Sellers' obligations pursuant to the provisions of Section 7.1 are subject to the following limitations:

(a) Purchaser Indemnitees shall not be entitled to recover any Damages with respect to any claims brought under Section 7.1(a)(i) unless and until the total amount of Damages that Purchaser Indemnitees would recover with respect to claims brought under Section 7.1(a)(i), but for this Section 7.3(a), collectively exceeds three hundred seventy thousand dollars ($370,000) (the "**Basket**"). Once the total amount of Damages that Purchaser Indemnitees would recover collectively with respect to claims brought under Section 7.1(a)(i), but for this Section 7.3(a), exceeds the Basket, Purchaser Indemnitees shall be entitled to recover all of the aggregate Damages sustained or incurred by Purchaser Indemnitees with respect to claims brought under Section 7.1(a)(i) (subject to the other limitations set forth in this Article VII). The foregoing limitation shall not apply to recovery under Section 7.1(a)(i) for breaches of one or more of the Fundamental Representations or for breaches of the representations and warranties in Sections 3.12 or 3.20.

(b) Except as provided in the following sentence, the Sellers' obligations to provide indemnification under this Article VII, in the aggregate, will not exceed an amount equal to 15% of the Purchase Price. The foregoing notwithstanding, with respect to Damages based on (i) a breach or inaccuracy of the representations and warranties set forth in Section 3.20, the Sellers' obligations to provide indemnification in respect thereof pursuant to this Article VII will not exceed an amount equal to 35% of the Purchase Price, and (ii) (A) a breach or inaccuracy of any Fundamental Representation or any representations or warranties set forth in Section 3.12 and (B) any claims brought under Section 7.1(a)(ii) – (v), the Sellers' aggregate obligations to provide indemnification in respect thereof pursuant to this Article VII will not exceed, when aggregated with all other Claims for indemnification under this Article VII, an amount equal to the Purchase Price.

(c) Each Purchaser Indemnitee agrees to take all commercially reasonable steps to mitigate their respective Damages upon and after becoming aware of any event or condition which would reasonably be expected to give rise to any Damages that is indemnifiable hereunder.

(d) To the extent that any breach of the representations set forth in Section 3.12 results in any additional U.S. federal or state Income Tax liability of the Company or the Purchaser and its Affiliates for taxable periods (or portions thereof) beginning after the Closing Date (as compared with the U.S. federal and state Income Tax liability of the Company or the Purchaser and its Affiliates for taxable periods (or portions thereof) beginning after the Closing Date as determined without regard to such breach), Sellers shall not have any indemnification obligation under Section 7.1(a)(i) unless and until (x) the amount of any additional income of the Company or the Purchaser and its Affiliates resulting from such breach and giving rise to such Tax liability exceeds the aggregate amount of any net operating loss carryforwards shown on the Company's final U.S. federal Income Tax Return (to the extent not previously taken into account in computing the amount of Sellers's indemnification obligation under Section 7.1(a)(iii)), and (y) the amount of the Company's or the Purchaser's and its Affiliate's Income Tax liability attributable to such breach exceeds the amount of any research and development credit carryforwards shown on the Company's final U.S. federal Income Tax Return (to the extent not previously taken into account in computing the amount of Sellers's indemnification obligation under Section 7.1(a)(iii)). For the avoidance of doubt, in

computing the amount of Sellers's indemnification obligation under Section 7.1(a)(iii), the amount of any net operating loss carryforwards or research and development credit carryforwards which have previously been taken into account in determining any indemnification obligations of Sellers under this Section 7.3(d) shall be disregarded.

Section 7.4 Indemnification Procedures.

(a) If any Purchaser Indemnitee believes that it has sustained or incurred any Damages for which it may be entitled to indemnification, such Purchaser Indemnitee shall notify the Seller Representative in writing (the "**Claim Notice**") stating whether the claim for indemnification relates to a Third Party Claim, a brief description of the relevant facts supporting such claim for indemnification and an estimate of the Damage. A failure by a Purchaser Indemnitee to give timely, complete or accurate notice as provided in this Article VII will not affect the rights or obligations of any party hereunder except and only to the extent that, as a result of such failure, any party entitled to receive such notice is adversely affected as a result of such failure to give timely notice.

(b) Subject to Section 7.4(d), if a Claim Notice regards a Third Party Claim, upon delivery to the Purchaser Indemnitee of an unqualified written acknowledgement of the Indemnifying Party's indemnification obligations under this Agreement with respect to the Third Party Claim in question, the Indemnifying Party shall have the right to conduct and control, through counsel of its choosing, the defense, compromise and settlement of any Third Party Claim as to which indemnification is sought by any Purchaser Indemnitee from any Indemnifying Party hereunder. The Indemnifying Party shall notify the Purchaser Indemnitee in writing within fifteen (15) Business Days after receipt of the notice of Third Party Claim given by the Purchaser Indemnitee to the Indemnifying Party under Section 7.4(a) of its election to assume the defense of such Third Party Claim. To the extent of a valid Claim pursuant to this Article VII and subject to the limitations set forth in this Article VII, the Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Purchaser Indemnitee for any period during which the Indemnifying Party has not assumed the defense of any such Third Party Claim. The Purchaser Indemnitee may participate, through counsel chosen by it and at its own expense, in the defense of any such Third Party Claim as to which the Indemnifying Party has elected to conduct and control the defense thereof. The parties shall cooperate in connection with the defense, compromise and settlement of any Third Party Claim and shall furnish such records, information and testimony and attend such conferences, discovery, hearings, trials and appeals as may be reasonably requested by the Purchaser Indemnitee or the Indemnifying Party in connection therewith.

(c) The Indemnifying Party shall give the Purchaser Indemnitee written notice of the Indemnifying Party's intention to settle any Third Party Claim as promptly as possible (but in any event at least ten (10) Business Days before the proposed settlement date for the Third Party Claim) prior to the settlement of any such Third Party Claim. The Indemnifying Party shall not settle or compromise a Third Party Claim without the prior written consent of the Purchaser Indemnitee, unless: (i) the Purchaser Indemnitee is given a full and complete release of any and all liability by all relevant parties to such Third Party Claim; (ii) the damages payable under the settlement are limited to monetary payments for which the Purchaser Indemnitee is fully indemnified

by the Indemnifying Party; and (iii) the settlement does not act as an adverse and binding precedent upon the Purchaser Indemnitee with respect to any similar claims or demands. The Purchaser Indemnitee shall have the right to pay, settle or compromise any Third Party Claim, *provided, that*, in such event the Purchaser Indemnitee shall waive any right to indemnity therefor hereunder.

(d) Notwithstanding anything in Section 7.4(b) to the contrary, the Purchaser Indemnitee shall have the right to conduct and control, through counsel of its choosing, the defense, compromise and settlement of any Third Party Claim that: (i) seeks an injunction or other equitable relief against the Purchaser Indemnitee; (ii) relates to or arises in connection with any criminal Proceeding, charge or complaint; (iii) the Purchaser Indemnitee reasonable believes would result in Damages in excess of the maximum amount for which the Purchaser Indemnitee can recover under the applicable provisions of this Article VII; or (iv) the Purchaser Indemnitee reasonable believes the Indemnifying Party does not possess adequate financial resources to both adequately defend such Third Party Claim and to fulfill its indemnification obligations under this Article VII with respect thereto. Additionally, the Indemnifying Party shall lose its right to contest, defend and litigate the Third Party Claim if it shall fail to accept a tender of the defense of the Third Party Claim in the manner set forth herein or if it shall fail to diligently contest the Third Party Claim in the reasonable judgment of the Purchaser Indemnitee. In any such event described in this Section 7.4(d), the Purchaser Indemnitee shall have the right to conduct and control, through counsel of its choosing, the defense, compromise or settlement of any such Third Party Claim.

(e) If a Claim Notice does not relate to a Third Party Claim, after the giving of any Claim Notice pursuant hereto, the amount of indemnification to which a Person shall be entitled under this Article VII shall be determined: (i) by the written agreement between the parties; (ii) by a final judgment or decree of any court of competent jurisdiction; or (iii) by any other means to which the parties shall agree in writing. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined.

Section 7.5 Indemnification Exclusive Remedy. Except for claims for fraud or willful misrepresentation, indemnification pursuant to the provisions of this Article VII shall be the exclusive remedy of the Purchaser Indemnitees for any misrepresentation or breach of any representation, warranty, covenant, or agreement contained herein or in any closing document executed and delivered pursuant to the provisions hereof. Without limiting the generality of the preceding sentence, no legal action sounding in tort (other than fraud or willful misrepresentation) or strict liability may be maintained by any party. Notwithstanding the foregoing, each of the Sellers acknowledges and agrees that Purchaser may pursue any claim for specific performance or other equitable relief under this Agreement in addition to any claim for Damages with respect to any breach by any Seller of any of their respective covenants or other agreements under this Agreement.

Section 7.6 Holdback / Set off. In the event of any final judgment, compromise or settlement which entitles the Purchaser to an indemnification award, the Purchaser may set off or recover such indemnification amounts from the Holdback Amount. Notwithstanding any term to the contrary in this Agreement, the Holdback Amount shall be fully exhausted prior to any Purchaser Indemnitee seeking any Damages directly against a Seller.

Section 7.7 Tax Treatment. Any payment made in accordance with Article VII shall be treated for Tax purposes as an adjustment to the Purchase Price, unless otherwise required under applicable Tax Laws.

Section 7.8 PTC Cap. Notwithstanding any term to the contrary in this Agreement, whether pursuant to this Article VII or otherwise, in no event shall PTC be liable or have any obligation pursuant to this Agreement for any reason, including for fraud or willful misconduct and for any adjustment pursuant to Section 2.6(b)(ii) of this Agreement, in excess, when aggregated with all other claims against and obligations of PTC, an amount equal to PTC's Purchase Price Percentage of the Purchase Price.

ARTICLE VIII
TAX MATTERS

Section 8.1 Preparation and Filing of Tax Returns. Seller Representative shall prepare or cause to be prepared and file or cause to be filed (A) all Income Tax Returns of the Company for all taxable periods ending on or before the Closing Date, and (B) all other Tax Returns of the Company for all taxable periods ending on or before the Closing Date that are due to be filed on or before the Closing Date. All such Tax Returns shall be prepared by Seller Representative in a manner consistent with past practice unless otherwise required by applicable Law and shall be submitted to Purchaser for review at least 15 days prior to the due date for filing such Tax Return, and Seller Representative shall incorporate any reasonable comments of Purchaser into such Tax Return. Purchaser shall prepare or cause to be prepared and file or cause to be filed, all other Tax Returns of the Company for all taxable periods ending on or before the Closing Date that are due to be filed after the Closing Date and for all Straddle Periods, and such Tax Returns shall be prepared by Purchaser in a manner consistent with past practice unless otherwise required by applicable Law. Any Tax Return prepared by Purchaser pursuant to the preceding sentence shall be submitted to the Seller Representative for review at least 15 days prior to the due date for filing such Tax Return, and Purchaser shall incorporate any reasonable comments of Seller Representative into such Tax Return. With respect to any Income Tax Return for any period ending on or before the Closing Date, or any Straddle Period, any and all deductions related to (A) any bonuses paid on or prior to the Closing Date in connection with the transactions contemplated hereby, (B) expenses with respect to Company Indebtedness being paid in connection with the Closing, and (C) all Transaction Expenses that are deductible for Tax purposes shall be claimed in a taxable period (or portion of any Straddle Period) ending on or prior to the Closing Date, except as otherwise required by applicable Tax Law.

Section 8.2 Apportionment of Straddle Period Income Taxes. In the case of a Straddle Period: (a) the amount of ad valorem, property, or other Taxes of the Company imposed on a periodic basis that relate to the portion of such Straddle Period through the end of the Closing Date shall be deemed to be the amount of such Tax for the entire Taxable period multiplied by a fraction the numerator of which is the number of days in the Taxable period ending on the Closing Date and the denominator of which is the number of days in the entire Taxable period; and (b) the amount of any other Taxes shall be deemed equal to the amount that would be payable if the relevant Taxable period ended on the Closing Date.

Section 8.3 Transfer Taxes. Purchaser on the one hand, and Sellers, on the other hand, shall assume liability for and pay 50% of all sales, use, transfer, real property transfer, documentary, recording, gains, stock transfer and similar Taxes and fees, and any deficiency, interest or penalty asserted with respect thereto (collectively, "**Transfer Taxes**"), arising out of or in connection with the transactions effected pursuant to this Agreement. The party responsible for filing all necessary documentation and Tax Returns with respect to such Transfer Taxes shall timely file or cause to be filed such documentation and Tax Returns.

Section 8.4 Amended Returns. No amended Tax Returns shall be filed by or on behalf of the Company for any period ending on or prior to the Closing Date without the Seller Representative's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 8.5 Tax Refunds; Credits. Except to the extent taken into account in the computation of the Final Closing Date Working Capital, or relating to the carryback of losses or other Tax attributes from taxable periods (or portions thereof) beginning after the Closing Date, Sellers shall be entitled to any Tax refund (for purposes of this Agreement, a Tax refund includes any credit for Taxes attributable to an overpayment or any application or other use of a refund or credit of Taxes), including any interest paid thereon, of the Company for any Tax period ending on or before the Closing Date and for the portion of any Straddle Period ending on the Closing Date (after deducting therefrom the full amount of the reasonable expenses, including any Tax cost, incurred by Purchaser, the Company or any Affiliate directly in connection with procuring such recovery) ("**Tax Refunds**"). Within 5 Business Days after receipt by Purchaser or any Affiliate of any Tax Refund to which Sellers are entitled, Purchaser shall deliver and pay over, by wire transfer of immediately available funds, an amount equal to such Tax Refunds to the Seller Representative (on behalf of Sellers). The amount of any Tax Refunds of the Company for any Straddle Period shall be equitably apportioned between Purchaser and Sellers in accordance with the principles set forth in Section 8.2. Purchaser shall, and will cause its Affiliates to, at Sellers' expense, execute such documents, take reasonable additional actions and otherwise reasonably cooperate as may be necessary to obtain all Tax Refunds to which Sellers are entitled.

Section 8.6 Section 338 Election. Purchaser covenants and agrees that it shall not make an election under Section 338 of the Code (or similar provision of state, local or foreign Law) in connection with the transactions contemplated by this Agreement.

ARTICLE IX
SELLER REPRESENTATIVE

Section 9.1 Appointment of the Seller Representative. Each of the Sellers hereby irrevocably (except as set forth in Section 9.2) appoints Cito Capital Corporation, and any replacement representative appointed pursuant to Section 9.2, as the Seller Representative, with full power of substitution and resubstitution, as such Seller's representative and attorney-in-fact and agent to act for such Seller with respect to all matters arising in connection with this Agreement, including the power and authority, exercisable in the sole discretion of the Seller Representative, to (i) take any action contemplated to be taken by the Sellers under this Agreement, including pursuant to Article VII; (ii) negotiate, determine, defend and settle any disputes that may arise under

or in connection with this Agreement, including with respect to any Claim pursuant to Article VII; and (iii) make, execute, acknowledge and deliver any releases, assurances, receipts, requests, instructions, notices, agreements, certificates and any other instruments, and generally do any and all things and take any and all actions that may be requisite, proper or advisable in connection with this Agreement, including pursuant to Article VII.

Section 9.2 Replacement and Resignation of Seller Representative. The Seller Representative may be removed by written agreement among a majority in interest of the Sellers (other than any Seller then serving as Seller Representative) calculated with reference to each Seller's Purchase Price Percentage. The Seller Representative may resign at any time upon giving thirty (30) days' prior written notice of such resignation to Purchaser and each Seller, but shall exercise all the powers enumerated in Section 9.1 until the effective date of such resignation. In the event of such removal or resignation, or upon the death or disability of the Seller Representative, a majority in interest of the Sellers (other than any Seller who has been removed from the position of Seller Representative) calculated with reference to each Seller's Purchase Price Percentage shall agree within thirty (30) days after such removal, resignation, death or disability upon a replacement Seller Representative, or if a Seller Representative is not designated within such period, Purchaser will designate a successor Seller Representative; provided, further, that such successor Seller Representative shall be a Stockholder. Any successor Seller Representative will execute and deliver an instrument accepting such appointment and, without further acts, will be vested with all the rights, powers, and duties of the predecessor Seller Representative as if originally named as Seller Representative and thereafter the resigning Seller Representative will be discharged from any further duties and liability under this Agreement. No bond will be required of any Seller Representative, and no Seller Representative will receive compensation for the Seller Representative's services.

Section 9.3 Authority of the Seller Representative. A decision, act, consent, or instruction of the Seller Representative relating to this Agreement will constitute a decision of the Sellers and will be final, binding, and conclusive upon each such Seller. Purchaser Indemnitees may rely upon any such decision, act, consent, or instruction of the Seller Representative as being the decision, act, consent, or instruction of the Sellers. Purchaser and all Purchaser Indemnitees are hereby relieved from any liability to any Person for any acts done by them in accordance with such decision, act, consent, or instruction of the Seller Representative.

Section 9.4 Indemnification of the Seller Representative. The Seller Representative will not be liable for any act done or omitted hereunder as the Seller Representative while acting in good faith (and any act done or omitted pursuant to the advice of counsel shall be conclusive evidence of such good faith). The Sellers shall severally indemnify the Seller Representative and hold the Seller Representative harmless against any loss, liability, or expense incurred without bad faith or intentional misconduct arising out of or in connection with the acceptance or administration of the Seller Representative's duties hereunder, including any out-of-pocket costs and expenses and legal fees and other legal costs reasonably incurred by the Seller Representative.

Section 9.5 Representative Expense Amount. The Representative Expense Amount shall be held, used and disbursed by or at the direction of the Seller Representative for the purpose of paying fees and satisfying expenses of the Seller Representative incurred in connection with the

discharge of its duties under this Agreement, including the costs and expenses incurred by the Seller Representative in defending against any claim or liability in performing his duties on behalf of the Sellers, and for any other costs or expenses in connection with this Agreement that is deemed by the Seller Representative to be in the best interests of the Sellers. The Seller Representative shall have the right to recover all costs and expenses incurred hereunder from the Representative Expense Amount as such costs and expenses arise. If any of the Representative Expense Amount remains after the Seller Representative has discharged its duties under this Agreement, the Seller Representative shall pay to each Seller an amount equal to such Seller's proportionate share of such excess. At all times, the Sellers shall be treated for all Tax purposes as the owners of the Representative Expense Amount and all interest and earnings thereon, if any.

ARTICLE X
MISCELLANEOUS

Section 10.1 Transaction Expenses. Each party hereto shall bear all fees and expenses incurred by such party in connection with, relating to or arising out of the negotiation, preparation, execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement, including financial advisors', attorneys', accountants' and other professional fees and expenses in connection with the transactions contemplated in this Agreement and the other Transaction Documents.

Section 10.2 Publicity. Up until the Closing, except as otherwise required by Law, the Sellers shall not make any press releases or other publicity concerning this transaction without the prior agreement of the Purchaser. Following the Closing, except as otherwise required by Law or applicable stock exchange rules, no press releases or other publicity shall state the amount of the Purchase Price.

Section 10.3 Notices. All notices required or permitted to be given hereunder shall be in writing and may be delivered by hand, by nationally recognized private courier, or by United States mail. Notices delivered by mail shall be deemed given three (3) Business Days after being deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested. Notices delivered by hand shall be deemed delivered when actually delivered. Notices given by nationally recognized private courier shall be deemed delivered on the date delivery is promised by the courier. All notices shall be addressed as follows:

If to the Company, Sellers or the Seller Representative:

Cito Capital Corporation
3071 Paseo Cielo
#7277
Rancho Santa Fe, CA 92067
Attn: Michael J. Berthelot

with a copy which shall not constitute notice to:

Bryan Cave LLP
3161 Michelson Drive, Suite 1500

Irvine, CA 92612
Attention: Brett J. Souza

If to Purchaser:

AspenTech Holding Corporation
c/o Aspen Technology, Inc.
20 Crosby Dr.
Bedford, MA 01730
ATTN: General Counsel

with a copy which shall not constitute notice to:

Perkins Coie LLP
1888 Century Park East #1700
Los Angeles, CA 90067
Attention: Don Karl

and/or to such other respective addresses and/or addressees as may be designated by notice given in accordance with the provisions of this Section 10.3.

Section 10.4 Entire Agreement. This Agreement, the other Transaction Documents and the instruments to be delivered by the parties pursuant to the provisions hereof constitute the entire agreement between the parties and supersedes any prior understandings, representations or agreements by or among the parties, whether written or oral, which may have related to the subject matter of this Agreement in any way. Each exhibit and schedule to this Agreement shall be considered incorporated into this Agreement.

Section 10.5 Assignment. This Agreement and all or any of the rights and obligations hereunder shall not be assigned by any Seller without the prior written consent of Purchaser. This Agreement and all or any of the rights and obligations hereunder shall not be assigned by Purchaser without the prior written consent of the Seller Representative; provided, however, that Purchaser may assign this Agreement and any of its respective rights and obligations hereunder to any of its respective Affiliates, or in connection with a sale of all or a material portion of the business or securities of the Company, in each case without the prior written consent of any party hereto. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and permitted assigns.

Section 10.6 Waiver. Any failure of a party to comply with any obligation, covenant, agreement or condition contained in this Agreement may be waived only if set forth in an instrument in writing that is duly executed by an authorized representative of the waiving party. The failure in any one or more instances of a party to insist upon performance of any of the terms, covenants or conditions of this Agreement or to exercise any right or privilege in this Agreement conferred, or the waiver by such party of any breach of any of the terms, covenants or conditions of this Agreement, shall not be construed as a subsequent waiver of any such terms, covenants, conditions, rights or privileges, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred.

Section 10.7 Counterparts; Delivery by Electronic Transmission. This Agreement may be executed and delivered by each party hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same Agreement. This Agreement and any other Transaction Document, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or other electronic transmission (e.g., email delivery in .pdf format or similar format), shall be treated in all manner and respects as an original contract and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such contract, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties.

Section 10.8 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, and, for purposes of such jurisdiction, such provision or portion thereof shall be struck from the remainder of this Agreement, which shall remain in full force and effect. This Agreement shall be reformed, construed and enforced in such jurisdiction so as to best give effect to the intent of the parties under this Agreement.

Section 10.9 Applicable Law. This Agreement and any claim, controversy or dispute arising out of or related to this Agreement, any of the transactions contemplated hereby, the relationship of the parties hereunder, or the interpretation and enforcement of the rights and duties of the parties, whether arising in contract, tort, equity or otherwise, shall be governed by and construed in accordance with the internal Laws of the State of Delaware applicable to contracts made in that state, without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

Section 10.10 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall confer on any Person other than the parties hereto, and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, including third party beneficiary rights.

Section 10.11 Amendments. This Agreement shall not be modified or amended except pursuant to an instrument in writing executed and delivered by an authorized representative of each of Purchaser and the Seller Representative.

Section 10.12 Waiver of Trial by Jury. **EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW THE RIGHT TO TRIAL BY JURY, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM, IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, SUIT, ACTION OR CAUSE OF ACTION, INQUIRY, PROCEEDING OR INVESTIGATION ARISING IN WHOLE OR IN PART UNDER, RELATED TO, BASED ON, OR IN CONNECTION WITH, THIS AGREEMENT, THE SUBJECT MATTER HEREOF OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, IN EACH CASE,**

WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN TORT OR CONTRACT OR OTHERWISE. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 10.12 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THE PARTIES ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 10.12 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

Section 10.13 Consent to Jurisdiction. **EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY CONSENTS AND SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT WITHIN THE STATE OF MASSACHUSETTS, WITH RESPECT TO ANY CLAIM OR CAUSE OF ACTION ARISING UNDER OR RELATING TO THIS AGREEMENT (OTHER THAN ACTIONS IN ANY COURT OF COMPETENT JURISDICTION TO ENFORCE ANY JUDGMENT, DECREE, OR AWARD RENDERED BY ANY SUCH COURT), AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT, AND CONSENTS THAT ALL SERVICES OF PROCESS BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO IT AT ITS ADDRESS AS SET FORTH IN SECTION 10.3, AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED WHEN RECEIVED. EACH OF THE PARTIES WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND WAIVES ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER. NOTHING IN THIS PARAGRAPH SHALL AFFECT THE RIGHTS OF THE PARTIES HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.**

Section 10.14 Preparation of Agreement. The parties acknowledge and agree that each has negotiated and reviewed the terms of this Agreement, assisted by such legal and tax counsel as they desired, and has contributed to its revisions. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted, and this Agreement shall be subject to the principle that the terms and provisions of this Agreement shall be construed fairly as to all parties and not in favor of or against any party.

Section 10.15 Further Assurances. The parties shall execute such further documents, and perform such further acts, as may be necessary to transfer and convey the Shares to Purchaser, on the terms herein contained, and to otherwise comply with the terms of this Agreement and consummate the transactions contemplated by this Agreement.

Section 10.16 Headings. The headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

Section 10.17 Privilege. Recognizing that the Company has legal counsel ("**Company Counsel**"), and that Company Counsel may act as legal counsel to a Seller after the Closing, Company hereby waives any conflicts that may arise in connection with Company Counsel

representing Sellers or their Affiliates after the Closing as such representation may relate to Purchaser and/or the Company, or the transactions contemplated by this Agreement and the Transaction Documents. In addition, all communications involving attorney-client confidences between the Company and their Affiliates, on the one hand, and Company Counsel, on the other hand, relating to the negotiation, documentation and consummation of the transactions contemplated by this Agreement and the Transaction Documents shall be deemed to be attorney-client confidences that belong solely to Sellers and their Affiliates (and not Purchaser or the Company or their respective Affiliates). Accordingly, Purchaser and the Company shall not have access to any such communications or to the files of Company Counsel relating to such engagement from and after the Closing Date and such files shall be segregated from Company Counsel's files related to all other elements of its representation of the Company prior to the Closing (which shall remain the property of the Company). Without limiting the generality of the foregoing, from and after the Closing Date, (a) Sellers and their Affiliates (and not Purchaser or the Company) shall be the sole holders of the attorney-client privilege with respect to such engagement, and none of Purchaser or the Company shall be a holder thereof, (b) to the extent that files of Company Counsel in respect of such engagement constitute property of the client, only Sellers and their Affiliates (and not Purchaser or the Company) shall hold such property rights and (c) Company Counsel shall have no duty whatsoever to reveal or disclose any such attorney-client communications or files to Purchaser the Company by reason of any attorney-client relationship between Company Counsel and the Company or any of their Affiliates or otherwise. Notwithstanding the foregoing, (a) none of Purchaser or the Company nor any of their respective Affiliates is waiving any attorney-client privilege (including relating to the negotiation, documentation and consummation of the transactions contemplated by this Agreement and the Transaction Documents) in connection with any third-party action, suit, proceeding, claim, application, complaint or investigation; (b) the waivers contained in this Section 10.17 shall not extend to (i) any communication unrelated to this Agreement or the Transaction Documents, (ii) communications between the Stockholders or the Company, on the one hand, and any Person other than Counsel, on the other hand, (iii) any post-Closing communications between Company and Company Counsel or any other legal counsel.

[Signature Pages Follow]

The parties have executed this Agreement as of the date indicated in the first sentence of this Agreement.

ASPENTECH HOLDING CORPORATION

By: _____
Name: _____
Title: _____

MTELLIGENCE CORPORATION

By: _____
Name: _____
Title: _____

CITO CAPITAL CORPORATION

By: _____
Name: _____
Title: _____

Solely with respect to Section 6.9

ASPEN TECHNOLOGY, INC.

By: _____
Name: _____
Title: _____

The parties have executed this Agreement as of the date indicated in the first sentence of this Agreement.

SELLERS

By: _____
Name: _____
Title: _____

SCHEDULE 1.1

Defined Terms

"**Accounts Receivable**" means any trade accounts receivable of the Company.

"**Adjusted Working Capital**" means the current assets of the Company, minus the current liabilities of the Company as of the Closing Date, as calculated pursuant to GAAP, in each case calculated in accordance with the Agreed Accounting Principles consistently applied and including only those line item categories of current assets and current liabilities specifically identified in Schedule 1.2. For exemplary purposes only, a calculation of the Adjusted Working Capital as of October 24, 2016 is attached hereto as Schedule 1.2.

"**Affiliate**" with respect to any Person means any other Person who directly or indirectly Controls, is Controlled by or is under common Control with such Person, including, in the case of any Person who is an individual, his or her spouse, any of his or her descendants (lineal or adopted) or ancestors and any of their spouses.

"Agreed Accounting Principles" means GAAP applied consistently with historical practices; provided, that, with respect to any matter as to which there is more than one generally accepted accounting principle, Agreed Accounting Principles means the generally accepted accounting principles applied in the preparation of the balance sheet of the Company, dated as of June 30, 2016.

"**Agreement**" is defined in the Preamble.

"Arbiter" means a nationally recognized independent accounting firm mutually agreed by Purchaser and the Seller Representative.

"**Assets**" is defined in Section 3.9.

"**Basket**" is defined in Section 7.3(a).

"**Benefit Plan**" means any retirement, pension, profit sharing, deferred compensation, equity bonus, savings, bonus, incentive, cafeteria, medical, dental, vision, hospitalization, life insurance, accidental death and dismemberment, medical expense reimbursement, dependent care assistance, tuition reimbursement, disability, sick pay, holiday, vacation, severance, change of control, equity purchase, equity option, restricted equity, phantom equity, equity appreciation rights, fringe benefit or other employee benefit plan, program, policy, fund, contract, arrangement or payroll practice of any kind (including any "**employee benefit plan,**" as defined in Section 3(3) of ERISA) or any employment, consulting or personal services contract, whether written or oral, qualified or nonqualified, funded or unfunded, or domestic or foreign, (a) sponsored, maintained or contributed to by the Company or ERISA Affiliate; (b) covering or benefiting any current or former officer, employee, agent, director or independent contractor of the Company or ERISA Affiliate (or any dependent or beneficiary of any such employee); or (c) with respect to which the Company or ERISA Affiliate has (or would have) any Liability.

"**Business**" means the provision of software products and services related to prescriptive and predictive analytics for the maintenance of industrial equipment.

"**Business Day**" means a day on which banks are open for business in the City of Boston, Massachusetts but does not include a Saturday, Sunday or a statutory holiday in the Commonwealth of Massachusetts.

"**Claim**" means any written claim by an Indemnified Party on account of a Damage pursuant to Section 7.4(a).

"**Claim Notice**" is defined in Section 7.4(a).

"**Closing**" is defined in Section 2.3(a).

"**Closing Date**" is defined in Section 2.3(a).

"**Closing Payment**" is defined in Section 2.3(b).

"**COBRA**" means the provisions of Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code and all regulations thereunder and any similar Law.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Common Shares**" means all of the issued and outstanding shares of the Company's common stock, par value $0.0001 per share.

"**Company**" is defined in the Preamble.

"**Company 401(k) Plan**" is defined in Section 6.6.

"**Company Intellectual Property**" is defined in Section 3.20(a).

"**Company Share Equivalent Payment**" is defined in Section 2.3(c).

"**Company Software**" means the Products and all Software used in the development, distribution and maintenance of the Products.

"**Contract**" means any legally binding contract, agreement, purchase order, sales order, guaranty, note, bond, mortgage, indenture, deed of trust, lease, concession, franchise, commitment, obligation or other instrument or undertaking, in each case whether written or oral.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through ownership of securities, by contract or otherwise.

"**Damages**" means all out-of-pocket losses, costs, settlement payments, awards, judgments, fines, penalties, damages and expenses (including reasonable attorneys' fees), provided that incidental, special and consequential damages shall only be included (i) to the extent reasonably foreseeable or (ii) if awarded to a third party pursuant to a Third Party Claim; notwithstanding the

foregoing, Damages shall not include indirect, punitive or exemplary damages (except to the extent any such damages are awarded to a third party pursuant to a Third Party Claim).

"**Data Room**" means the virtual data room maintained by the Company at https://mtelligence.sharefile.com in connection with the transactions contemplated by this Agreement, which is associated with the project name "**Project Pacific**".

"**Environmental Claim**" means any Proceeding or written notice received by the Company alleging potential Liability (including potential Liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from the presence, or release into the environment, of, or exposure to, any Materials of Environmental Concern at any location, whether or not owned or operated by the Company.

"**Environmental Laws**" means all Laws relating to pollution or protection of human health or the environment (including ambient air, surface water, ground water, land surface or subsurface strata, and natural resources), including, Laws relating to (a) emissions, discharges, releases or threatened releases of, or exposure to, Materials of Environmental Concern, (b) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Materials of Environmental Concern, (c) recordkeeping, notification, disclosure and reporting requirements regarding Materials of Environmental Concern, and (d) endangered or threatened species of fish, wildlife and plant and the management or use of natural resources.

"**Equity Interest**" means any share of capital stock, partnership interest, limited liability company interest, trust interest or similar interest in any Person, and any option, warrant, subscription or other right to purchase or acquire any share of capital stock, partnership interest, limited liability company interest, trust interest or similar interest in any Person, including any debt or other security convertible into, exchangeable for or exercisable for any such interest in any Person.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Affiliate**" means any corporation, partnership, limited liability company, sole proprietorship, trade, business or other Person that, together with the Company, is (or, at any time, was) treated as a single employer under Section 414(b), (c), (m) or (o) of the Code or Section 4001(a)(14) or 4001(b)(1) of ERISA.

"**Estimated Closing Date Working Capital**" means the Adjusted Working Capital as of the Closing Date.

"**Estimated Purchase Price**" is defined in Section 2.3(b).

"**Estimated Working Capital**" is defined in Section 2.3(b).

"**Extended Representations**" means the representations and warranties set forth in Section 3.12 (Taxes), Section 3.19 (Environmental Matters) and Section 3.21 (Employee Benefit Plans).

"**Financial Statements**" is defined in Section 3.7.

"**FIRPTA**" is defined in Section 2.4(b).

"**Fundamental Representations**" means the representations and warranties set forth in Section 3.1 (Organization, Existence and Good Standing), Section 3.2 (Power and Authority), Section 3.3 (Enforceability), Section 3.4 (Consents; Non-Contravention), Section 3.5 (Capitalization), Section 3.9 (Title and Condition of Assets), Section 3.27 (Brokers) and Article IV.

"**GAAP**" means U.S. generally accepted accounting principles.

"**Governing Documents**" means the Company's certificate of incorporation (or other instrument of formation) and all amendments thereto, its bylaws and all amendments thereto, its minute books and copies of all resolutions, written consents and other corporate actions of its stockholders and directors, its equity ledgers and all other stock records.

"**Governmental Authority**" means any nation, any state, any province or any municipal or other political subdivision thereof, and any agency, commission, department, board, bureau, official, minister, tribunal or court, whether national, state, provincial, local, foreign or multinational, exercising executive, legislative, judicial, regulatory or administrative functions of a nation, state, province or any municipal or other political subdivision thereof.

"**Guaranteed Obligations**" is defined in Section 6.9.

"**Guarantor**" is defined in Section 6.9.

"**Holdback Amount**" means five million five hundred and fifty thousand dollars ($5,550,000).

"**Income Taxes**" means Tax imposed upon or measured by net income or net profit (excluding, for the avoidance of doubt, any Tax based solely on gross receipts).

"**Income Tax Return**" means any Tax Return relating to Income Taxes.

"**Indebtedness**" means: (a) the aggregate principal amount of, and accrued interest and prepayment penalties, premiums or breakage fees with respect to, all indebtedness for borrowed money of the Company and all obligations of the Company evidenced by notes, debentures, bonds or similar instruments; (b) all obligations of the Company in respect of deferred purchase price for property or services, including capital leases, conditional sale agreements and other title retention agreements (but excluding current trade payables and compensation expenses incurred in the ordinary course of business consistent with past practices); (c) all obligations of the Company under conditional sale or other title retention agreements; (d) all obligations of the Company in respect of letters of credit, acceptances or similar obligations and any reimbursement agreements with respect thereto; (e) all obligations of the Company under interest rate cap agreements, interest rate swap agreements, foreign currency exchange contracts or other hedging contracts (including breakage costs with respect thereto); (f) all obligations of the Company in respect of capitalized leases; (g) all obligations of the Company in respect of transaction bonuses, change-in-control payments, severance rights, deferred compensation payments, withdrawal liability under multiemployer plans and similar obligations triggered by the transactions contemplated herein; and

(h) any guaranty by the Company of the obligations of any Person with respect to any obligations of the type described in clauses (a) through (g).

"**Indemnification Claim**" is defined in Section 2.7.

"**Indemnifying Party**" means, with respect to a particular matter, a party hereto who is required to provide indemnification under Article VII to another Person.

"**Indemnified Company Officers and Directors**" is defined in Section 6.8(b).

"**Intellectual Property**" means all intellectual property rights of any kind or nature, throughout the world, including without limitation: (a) all patents, patent applications, inventions, trade secrets, utility models, designs, mask works, moral rights and industrial design registrations and applications (including without limitation any continuations, divisionals, continuations-in-part, provisionals, renewals, reissues, re-examinations and applications for any of the foregoing); (b) all trademarks, service marks, trade names, slogans, logos, trade dress, Internet domain names, web sites and similar designations of source or origin, in each case together with all goodwill, registrations and applications for registration related to any of the foregoing; (c) copyrights and copyrightable subject matter (including without limitation any registration and applications for any of the foregoing); (d) master work rights and trade secrets and other confidential information, know-how, proprietary processes, formula, algorithms, models and methodologies; (e) database rights; and (f) all Software (as defined herein).

"**Intellectual Property Licenses**" means all agreements between the Company and any other Person granting any right to make, use, offer to sell, sell or import or practice any rights under any of the Intellectual Property owned either by the Company, any of the Subsidiaries or by any other Person, including without limitation licenses and leases of Software (including "shrink-wrap" and similar generally-available commercial "off-the-shelf" software and binary code end-user licenses).

"**Interim Financial Statements**" is defined in Section 3.7.

"**IRS**" means the United States Internal Revenue Service.

"**Key Sellers**" means each of Alexander Bates, Michael Brooks, Scott Macnab and Paul Rahilly.

"**Knowledge of the Company**" means (a) with respect to any Seller, the actual knowledge of such individual after due and diligent inquiry, or (b) with respect to the Company, the knowledge of any Key Seller after reasonable inquiry by such individuals of the applicable facts of any matter in question.

"**Law**" means any law, statute, ordinance, regulation, rule, code, treaty, order, judgment, writ, injection, act, decree, decision, ruling, award or other requirement having the force of law of any Governmental Authority.

"**Leased Real Property**" is defined in Section 3.18.

"**Liability**" means any obligation or liability of any nature whatsoever, whether direct or indirect, matured or unmatured, known or unknown, absolute, accrued, contingent or otherwise.

"**Liens**" means all options, proxies, voting trusts, voting agreements, judgments, pledges, charges, escrows, rights of first refusal or first offer, transfer restrictions (other than securities laws), liens, claims, mortgages, security interests, indentures and other encumbrances of every kind and nature whatsoever, including any arrangements or obligations to create any such encumbrance, whether arising by agreement, operation of Law or otherwise.

"**Material Adverse Effect**" means any result, effect, event, circumstance, change, occurrence, fact or development that, individually or in the aggregate with other such results, effects, events, circumstances, changes, occurrences, facts or developments, is or would reasonably be expected to be materially adverse to: (a) the business, assets, liabilities, operations (including results of operations), or condition (financial or otherwise) of the Company; or (b) the consummation of the transactions contemplated by this Agreement.

"**Material Contracts**" is defined in Section 3.14.

"**Materials of Environmental Concern**" means chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum and petroleum products, asbestos or asbestos-containing materials or products, polychlorinated biphenyls, lead or lead-based paints or materials, radon, fungus, mold, mycotoxins or other substances that may have an adverse effect on human health or the environment.

"**Multiemployer Plan**" means any multiemployer plan as defined in Section 3(37) of ERISA.

"**Off-the-Shelf Licenses**" means those licenses and agreements set forth on Schedules 3.20(b), 3.20(j), 3.20(n)(i) (excluding National Oilwell Varco and National Oilwell Varco Norway) and 3.20(n)(ii).

"**Options**" means all of the issued and outstanding options to acquire Shares granted and outstanding under the Company's 2007 Stock Plan and 2016 Omnibus Share Incentive Plan, as amended through the date of this Agreement.

"**Order**" means any order, judgment, writ, injunction, act, decree, decision, ruling or award of any Governmental Authority or arbitrator and any settlement agreement, compliance agreement or other agreement entered into in connection with any Proceeding.

"**PBGC**" means the Pension Benefit Guaranty Corporation.

"**Permits**" means all licenses, permits, registrations and government approvals of any kind or nature.

"Permitted Liens" means (i) Liens for Taxes and other governmental charges and assessments which are not yet due and payable; (ii) Liens of landlords, carriers, warehousemen, mechanics and materialmen and other like Liens arising in the ordinary course of business for sums

not yet due and payable; and (iii) Liens and restrictions on real property (including easements, covenants, conditions, rights of way and similar restrictions of record) that do not materially interfere with the present uses of such real property.

"**Person**" means any natural individual, corporation, partnership, limited liability company, joint venture, association, bank, trust company, trust or other entity, whether or not legal entities, or any Governmental Authority.

"**Preferred Shares**" means all of the issued and outstanding shares of the Company's preferred stock, par value $0.0001 per share.

"**Proceeding**" means any litigation (in law or in equity), arbitration, mediation, lawsuit, notice of violations, citation, subpoena, legal summons, or like matter, whether civil, criminal, administrative, or regulatory.

"**Products**" is defined in Section 2.4(c).

"**Purchase Price**" is defined in Section 2.2.

"**Purchase Price Adjustments**" is defined in Section 2.2.

"**Purchase Price Increase Allocation Statement**" is defined in Section 2.6(b)(i).

"**Purchase Price Percentage**" is defined in Section 2.4(c).

"**Purchaser**" is defined in the Preamble.

"**Purchaser Indemnitees**" is defined in Section 7.1.

"**Registered Intellectual Property**" means all of the Intellectual Property owned by the Company for which there is a pending application or registration in force.

"**Related Party**" means the Company's present and former directors, managers, officers, members, shareholders and partners, and their respective Affiliates.

"**Representative Expense Amount**" is defined in Section 2.4(c)(iii).

"**Restricted Stock Units**" means all outstanding restricted stock units for Common Stock of Company.

"**Seller**" is defined in the Preamble.

"**Seller Group**" means Paul M. Rahilly, Alex M. Bates, Scott Macnab, Donagh McGowan, Michael J. Berthelot, Michael Thiemann, and Michael Brooks, jointly and severally among them.

"**Seller Representative**" is defined in the Preamble.

"**Sellers**" is defined in the Preamble.

"**Share Equivalents**" means all of the issued and outstanding Options, Restricted Stock Units and other rights to acquire Shares from the Company.

"**Shares**" means all of the Common Shares and the Preferred Shares.

"**Software**" means all computer programs (including any and all software implementation of algorithms, models and methodologies whether in source code or object code), databases and computations (including any and all data and collections of data), documentation (including user manuals and training materials) relating to any of the foregoing and the content and information contained in any web sites.

"**Straddle Period**" means any Tax period that begins on or before the Closing Date and ends after the Closing Date.

"**Stockholders**" means Paul M. Rahilly, Alex M. Bates, Scott Macnab, Donagh McGowan, Michael J. Berthelot, Michael Thiemann, and PTC, Inc., a Massachusetts corporation ("**PTC**").

"**Tax Contests**" is defined in Section 3.12(c).

"**Tax Group**" is defined in Section 3.12(e).

"**Tax Refunds**" is defined in Section 8.3

"**Tax Returns**" means all returns, declarations, reports, statements and other documents required to be filed by the Company in respect of any Taxes, and the term "**Tax Return**" means any one of the foregoing Tax Returns.

"**Taxes**" (and, with correlative meaning, "**Taxable**") means all federal, state, local, foreign and other income, corporation, capital gains, excise, gross receipts, ad valorem, sales, goods and services, harmonized sales, use, employment, franchise, profits, gains, property, transfer, payroll, social security contributions, unclaimed property, escheat, intangibles and other taxes, fees, stamp taxes, duties, charges, levies or assessments of any kind whatsoever (whether payable directly or by withholding), together with any interest and any penalties, additions to tax or additional amounts imposed by any Governmental Authority with respect thereto, and the term "**Tax**" means any one of the foregoing Taxes.

"**Third Party Claim**" means any Proceeding that is asserted or overtly threatened by a Person other than the parties, their successors and permitted assigns, against any Purchaser Indemnitee, Seller Indemnitee, or to which any Purchaser Indemnitee or Seller Indemnitee is subject.

"**Transaction Documents**" means this Agreement, the Employment Agreements and all the other agreements, certificates, instruments, financial statements and other documents to be executed or delivered by one or more of the parties in connection with the transactions contemplated by this Agreement.

"**Transaction Expenses**" means all of the Sellers' and the Company's expenses, fees or charges incurred in connection with the preparation, negotiation, execution and delivery of this Agreement and the Transaction Documents and/or any offering or marketing materials and the

consummation of the Closing and the other transactions contemplated by this Agreement, including without limitation all attorneys', accountants', consultants', professionals', investment bankers' and other advisors' fees and expenses payable by the Sellers or the Company that have not been paid in full in cash as of the Closing. Without limiting the foregoing, Transaction Expenses includes all expenses and payments incurred or made in connection with obtaining consents or waivers from landlords, customers, vendors, Governmental Authorities or any other party from whom a consent or waiver is required in connection with the transactions contemplated by this Agreement.

"**Transaction Invoices**" is defined in Section 2.4(b)(i).

"**Transfer Taxes**" is defined in Section 8.3.

"**Working Capital Target**" is defined in Section 2.2(a)(ii).

Exhibit 10.3

Aspen Technology, Inc.
FY17 Executive Bonus Plan

For

[Name]

I. Purpose

The purpose of the Executive Bonus Plan is to motivate and reward eligible participants for achieving Aspen Technology, Inc.'s financial and operational objectives.

II. Effective Period of Plan

The Plan shall be effective on July 1, 2016 and shall continue through the Plan Year.

III. Definitions

Bonus Plan Metrics means the objectives set by the Board of Directors against which Plan achievement is measured.

Bonus Pool means the funds available for distribution to participants.

Bonus Target means the bonus potential at 100% Bonus Plan Metric achievement.

Company means Aspen Technology, Inc. and its subsidiaries.

Employee in Good Standing means an employee rated as a "Core Contributor" or higher for the Plan Year and who is not subject to a corrective performance action (e.g. performance improvement plan or performance warning, termination for cause) as of or at any time after the last business day of the applicable Plan assessment period (mid-year or year-end).

Participant means an employee who is a designated Executive whose position is determined by Aspen Technology to have significant impact on the operating results of the Company. For avoidance of doubt, contractors and/or consultants are not Participants.

Plan means this Executive Bonus Plan, as set forth in this instrument and as hereafter amended from time to time.

Plan Year means July 1, 2016 through June 30, 2017**.**

IV. Bonus Plan Metrics, Targets and Weights

Plan metrics, targets and weights are approved by the Board of Directors. FY17 plan metrics and weights are:

FY17 Bonus Plan Metric	Weight
Growth in Annual Spend (GAS)	50%
Non-GAAP Corporate Operating Income	25%
Free Cash Flow	25%

V. Bonus Pool Funding

The Bonus Pool is funded through the achievement of Bonus Plan Metrics. Each metric is measured and funded independently according to the following table:

Bonus Plan Metric Actual Achievement	Bonus Plan Metric Funding Level Based on Actual Achievement
< 70% of Target	**0%**
70% of Target	**50%**
80% of Target	**70%**
90% of Target	**90%**
100% of Target	**100%**

A minimum Bonus Plan metric achievement of 70% is required to fund each metric. The funding level ratio is 2:1 for performance between 70% and 89%. The ratio is 1:1 for performance between 90% and 100%. There is no additional funding for Bonus Plan Metric achievement above 100%.

VI. Bonus Payment(s)

Bonus payments (if any) are paid on a semi-annual basis. There is a mid-year payment and year-end payment opportunity. Bonus payments (if any) are typically made within 90 days of the end of the respective performance periods, consistent with local payroll schedules and requirements. Payments under this Plan are subject to all applicable taxes and withholdings.

The mid-year payment is based on the Company's mid-year performance against mid-year Bonus Plan Metrics and will not exceed 25% of the annual bonus target.

The year-end payment is based on the Company's total annual performance against Bonus Plan Metrics, less any mid-year payment received.

Should the mid-year bonus earned be less than the targeted 25% of bonus potential, the unrealized difference (up to the 25% mid-year potential) can be made up at year-end based on achievement against annual Bonus Plan Metrics.

VII. Discretionary Variation

In addition to awards based on the performance metrics established herein and notwithstanding any limitations (including caps) set forth elsewhere herein, the Compensation Committee of the Board of Directors may authorize discretionary awards to eligible Participants in such amounts as the Committee determines are appropriate and in the best interests of the Company.

In addition, the CEO (in the case of his direct reports) and the Compensation Committee (in the case of the CEO) may reduce any award otherwise payable hereunder by up to 10 percent in his or its discretion to any of said direct reports or to the CEO, as the case may be.

VIII. Eligibility/Changes in Status

Eligibility for the Plan does not guarantee payment of an award and does not guarantee continuation of employment. If employment ends prior to the end of the performance period any payment eligibility is subject to the Executive Retention Agreement then in force. Should an Executive voluntarily resign after the completion of the performance period, he/she is eligible to receive the earned bonus in accordance with the plan.

Participants must be Employees in Good Standing and meet all eligibility criteria to receive payments under the Plan.

Participants hired between July 1 and September 30 and who are Employees in Good Standing on and after December 31 are eligible for a mid-year payment. Participants hired before April 1 and who are Employees in Good Standing on and after June 30 are eligible for a pro-rated payment in the second half of the Plan Year.

Payments in respect of new hires, promotions, transfers and other job changes will be adjusted on a prorated basis from the effective date of the hire, promotion, transfer or change, as the case may be, to reflect any associated change in base salary. Proration is calculated on the basis of 12 months in a year, such that a Participant must be in the new job for 15 or more days of a month to receive the related adjustment.

Payments, if any for Participants on disability or leave of absence of more than 30 days will be prorated.

IX. Miscellaneous

Administration of this Plan will be the responsibility of the CEO and the Compensation Committee of the Board of Directors. Any interpretation of the terms, conditions, goals, or payments from this Plan required because of a dispute will be made by the Chief Executive Officer and the Compensation Committee in the case of a dispute relating to employees other than the CEO, and by the Compensation Committee in the case of a dispute relating to the CEO.

If any term or condition of this Plan is found to contravene applicable law, that term or condition will be interpreted such that it comports with applicable law to the extent possible.

Eligibility and participation in this Plan in no way implies or reflects any guarantee or contract of employment, nor does eligibility for bonus in this current year constitute eligibility in future year(s), except as may be stipulated by applicable law.

The Company, through the Compensation Committee of the Board, reserves the right to modify or terminate this Plan and the procedures set forth herein at any time.

A Participant who believes there is an error in his/her bonus calculation must notify his/her manager within 30 days of a bonus payment date; otherwise, the payment or non-payment to that Participant will be deemed correct.

Appendix A

Employee's Name:	Manager's Name:	Organization:	Date Prepared:
FY17 Compensation	**Base Salary:** $XXX	**Bonus Target:** $XXX	**OTE:** $XXX

Employee Signature: _____ Date: _____

Manager Signature: _____ Date: _____

Exhibit 10.4

ASPEN TECHNOLOGY, INC.
2016 OMNIBUS INCENTIVE PLAN

Aspen Technology, Inc., a Delaware corporation, sets forth herein the terms of its 2016 Omnibus Incentive Plan, as follows:

1. PURPOSE

The Plan is intended to enhance the Company's and its Subsidiaries' ability to attract and retain employees, Consultants and Non-Employee Directors, and to motivate such employees, Consultants and Non-Employee Directors to serve the Company and its Subsidiaries and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and cash awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of performance goals in accordance with the terms hereof. Stock options granted under the Plan may be non-qualified stock options or incentive stock options, as provided herein. The Plan is in addition to the Company's 2010 Equity Incentive Plan, which shall remain in effect in accordance with its terms.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

2.1. "Annual Incentive Award" means a cash-based Performance Award with a performance period that is the Company's fiscal year or other 12-month (or shorter) performance period as specified under the terms of the Award as approved by the Committee.

2.2. "Award" means a grant of an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Other Stock-Based Award or cash award under the Plan, or any Substitute Award.

2.3. "Award Agreement" means a written agreement between the Company and a Grantee, or notice from the Company or a Subsidiary to a Grantee that evidences and sets out the terms and conditions of an Award.

2.4. "Board" means the Board of Directors of the Company.

2.5. "Change in Control" shall have the meaning set forth in **Section 15.3.2**.

2.6. "Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. References to the Code shall include the valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder.

2.7. "Committee" means the Compensation Committee of the Board or any committee or other person or persons designated by the Board to administer the Plan. The Board will cause the Committee to satisfy the applicable requirements of any stock exchange on which the Common Stock may then be listed. For purposes of Awards to Covered Employees intended to constitute "performance-based compensation" under Section 162(m), to the extent required by Section 162(m), Committee means all of the members of the Committee who are "outside directors" within the meaning of Section 162(m). For purposes of Awards to Grantees who are subject to Section 16 of the Exchange Act, Committee means all of the members of the

Committee who are "non-employee directors" within the meaning of Rule 16b-3 adopted under the Exchange Act. All references in the Plan to the Board shall mean such Committee or the Board.

2.8. "Company" means Aspen Technology, Inc., a Delaware corporation, or any successor corporation.

2.9. "Common Stock" or **"Stock"** means a share of common stock of the Company.

2.10. "Consultant" means any person, except an employee or Non-Employee Director, engaged by the Company or any Subsidiary, to render personal services to such entity, including as an advisor, pursuant to the terms of a written agreement and who qualifies as a consultant or advisor under Form S-8.

2.11. "Corporate Transaction" means a reorganization, merger, statutory share exchange, consolidation, sale of all or substantially all of the Company's assets, or the acquisition of assets or stock of another entity by the Company, or other corporate transaction involving the Company or any of its Subsidiaries.

2.12. "Covered Employee" means a Grantee who is a "covered employee" within the meaning of Section 162(m) as qualified by **Section 12.4** herein.

2.13. "Effective Date" means _____, 2016, the date the Plan was approved by the Company's shareholders.

2.14. "Exchange Act" means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.15. "Fair Market Value" of a share of Common Stock as of a particular date shall mean (i) if the Common Stock is listed on a national securities exchange, the closing or last price of the Common Stock on the composite tape or other comparable reporting system for the applicable date, or if the applicable date is not a trading day, the trading day immediately preceding the applicable date, or (ii) if the shares of Common Stock are not then listed on a national securities exchange, the closing or last price of the Common Stock quoted by an established quotation service for over-the-counter securities, or (iii) if the shares of Common Stock are not then listed on a national securities exchange or quoted by an established quotation service for over-the-counter securities, or the value of such shares is not otherwise determinable, such value as determined by the Board in good faith in its sole discretion.

2.16. "Family Member" means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the applicable individual, any person sharing the applicable individual's household (other than a tenant or employee), a trust in which any one or more of these persons have more than fifty percent of the beneficial interest, a foundation in which any one or more of these persons (or the applicable individual) control the management of assets, and any other entity in which one or more of these persons (or the applicable individual) own more than fifty percent of the voting interests.

2.17. "Grant Date" means, as determined by the Board, the latest to occur of (i) the date as of which the Board approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under **Section 6** hereof, or (iii) such other date as may be specified by the Board in the Award Agreement.

2.18. "Grantee" means a person who receives or holds an Award under the Plan.

2.19. "Incentive Stock Option" means an "incentive stock option" within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.

2.20. "Non-Employee Director" means a member of the Board who is not an employee.

2.21. "Non-qualified Stock Option" means an Option that is not an Incentive Stock Option.

2.22. "Option" means an option to purchase one or more shares of Stock pursuant to the Plan.

2.23. "Option Price" means the exercise price for each share of Stock subject to an Option.

2.24. "Other Stock-based Award" means Awards consisting of Stock units, or other Awards, valued in whole or in part by reference to, or otherwise based on, Common Stock, other than Options, Stock Appreciation Rights, Restricted Stock, and Restricted Stock Units.

2.25. "Outstanding Common Stock" means, at any time, the issued and outstanding shares of Common Stock

2.26. "Performance Award" means an Award made subject to the attainment of performance goals (as described in **Section 12**) over a performance period established by the Committee, and includes an Annual Incentive Award.

2.27. "Plan" means this Aspen Technology, Inc. 2016 Omnibus Incentive Plan, as amended from time to time.

2.28. "Purchase Price" means the purchase price for each share of Stock pursuant to a grant of Restricted Stock.

2.29. "Restricted Period" shall have the meaning set forth in **Section 10.1**.

2.30. "Restricted Stock" means shares of Stock, awarded to a Grantee pursuant to **Section 10** hereof.

2.31. "Restricted Stock Unit" means a bookkeeping entry representing the equivalent of shares of Stock, awarded to a Grantee pursuant to **Section 10** hereof.

2.32. "SAR Exercise Price" means the per share exercise price of a SAR granted to a Grantee under **Section 9** hereof.

2.33. "Section 162(m)" means Section 162(m) of the Code.

2.34. "Section 409A" means Section 409A of the Code.

2.35. "Securities Act" means the Securities Act of 1933, as now in effect or as hereafter amended.

2.36. "Separation from Service" means a termination of Service by a Service Provider, as determined by the Board, which determination shall be final, binding and conclusive; provided if any Award governed by Section 409A is to be distributed on a Separation from Service, then the definition of Separation from Service for such purposes shall comply with the definition provided in Section 409A.

2.37. "Service" means service as a Service Provider to the Company or a Subsidiary. Unless otherwise stated in the applicable Award Agreement, a Grantee's change in position or duties shall not result in

interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or a Subsidiary.

2.38. "Service Provider" means an employee, Non-Employee Director or Consultant.

2.39. "Stock Appreciation Right" or **"SAR"** means a right granted to a Grantee under **Section 9** hereof.

2.40. "Subsidiary" means any "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code.

2.41. "Substitute Award" means any Award granted in assumption of or in substitution for an award of a company or business acquired by the Company or a Subsidiary or with which the Company or a Subsidiary combines.

2.42. "Ten Percent Shareholder" means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding stock of the Company, its parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

2.43. "Termination Date" means the date that is ten (10) years after the Effective Date, unless the Plan is earlier terminated by the Board under **Section 5.2** hereof.

3. ADMINISTRATION OF THE PLAN

3.1. General.

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company's articles of incorporation and bylaws and applicable law. The Board shall have the power and authority to delegate its powers and responsibilities hereunder to the Committee, which shall have full authority to act in accordance with its charter, and with respect to the authority of the Board to act hereunder, all references to the Board shall be deemed to include a reference to the Committee, to the extent such power or responsibilities have been delegated. Except as specifically provided in **Section 14** or as otherwise may be required by applicable law, regulatory requirement or the articles of incorporation or the bylaws of the Company, the Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan. The Committee shall administer the Plan; provided that, the Board shall retain the right to exercise the authority of the Committee to the extent consistent with applicable law and the applicable requirements of any securities exchange on which the Common Stock may then be listed. The interpretation and construction by the Board of any provision of the Plan, any Award or any Award Agreement shall be final, binding and conclusive. Without limitation, the Board shall have full and final authority, subject to the other terms and conditions of the Plan, to:

(i) designate Grantees;

(ii) determine the type or types of Awards to be made to a Grantee;

(iii) determine the number of shares of Stock to be subject to an Award;

(iv) establish the terms and conditions of each Award (including, but not limited to, the Option Price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the shares of Stock subject thereto, and any terms or conditions that may be necessary to qualify Options as Incentive Stock Options);

(v) prescribe the form of each Award Agreement; and

(vi) amend, modify, or supplement the terms of any outstanding Award including the authority, in order to effectuate the purposes of the Plan, to modify Awards to foreign nationals or individuals who are employed outside the United States to recognize differences in local law, tax policy, or custom.

To the extent permitted by applicable law, the Board may delegate its authority as identified herein to any individual or committee of individuals (who need not be directors), including without limitation the authority to make Awards to Grantees who are not subject to Section 16 of the Exchange Act or who are not Covered Employees. To the extent that the Board delegates its authority to make Awards as provided by this **Section 3.1**, all references in the Plan to the Board's authority to make Awards and determinations with respect thereto shall be deemed to include the Board's delegate. Any such delegate shall serve at the pleasure of, and may be removed at any time by the Board.

3.2. No Repricing.

Notwithstanding any provision herein to the contrary, the repricing of Options or SARs is prohibited without prior approval of the Company's shareholders. For this purpose, a "repricing" means any of the following (or any other action that has the same effect as any of the following): (i) changing the terms of an Option or SAR to lower its Option Price or SAR Exercise Price; (ii) any other action that is treated as a "repricing" under generally accepted accounting principles; and (iii) repurchasing for cash or canceling an Option or SAR at a time when its Option Price or SAR Exercise Price is greater than the Fair Market Value of the underlying shares in exchange for another Award, unless the cancellation and exchange occurs in connection with a change in capitalization or similar change under **Section 15**. A cancellation and exchange under clause (iii) would be considered a "repricing" regardless of whether it is treated as a "repricing" under generally accepted accounting principles and regardless of whether it is voluntary on the part of the Grantee.

3.3. Clawbacks.

Awards shall be subject to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder.

3.4. Deferral Arrangement.

The Board may permit or require the deferral of any Award payment into a deferred compensation arrangement, subject to such rules and procedures as it may establish and in accordance with Section 409A, which may include provisions for the payment or crediting of interest or dividend equivalents, including converting such credits into deferred Stock units.

3.5. No Liability.

No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan, any Award or Award Agreement.

3.6. Book Entry.

Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of stock certificates through the use of book-entry.

4. STOCK SUBJECT TO THE PLAN

4.1. Authorized Number of Shares

Subject to adjustment under **Section 15**, the total number of shares of Common Stock authorized to be awarded under the Plan shall not exceed 6,000,000 shares. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares, treasury shares, or shares purchased on the open market or otherwise, all as determined by the Company from time to time.

4.2. Share Counting

4.2.1. General

Each share of Common Stock granted in connection with an Award shall be counted as one share against the limit in **Section 4.1**, subject to the provisions of this **Section 4.2**. Share-based Performance Awards shall be counted assuming maximum performance results (if applicable) until such time as actual performance results can be determined.

4.2.2. Cash-Settled Awards

Any Award settled in cash shall not be counted as shares of Common Stock for any purpose under this Plan.

4.2.3. Expired or Terminated Awards

If any Award under the Plan expires, or is terminated, surrendered or forfeited, in whole or in part, the unissued Common Stock covered by such Award shall again be available for the grant of Awards under the Plan.

4.2.4. Payment of Option Price or Tax Withholding in Shares

If shares of Common Stock issuable upon exercise, vesting or settlement of an Award, or shares of Common Stock owned by a Grantee (which are not subject to any pledge or other security interest), are surrendered or tendered to the Company in payment of the Option Price or Purchase Price of an Award or any taxes required to be withheld in respect of an Award, in each case, in accordance with the terms and conditions of the Plan and any applicable Award Agreement, such surrendered or tendered shares of Common Stock shall again be available for the grant of Awards under the Plan. For a share-settled SAR, only the net shares actually issued upon exercise of the SAR shall be counted against the limit in **Section 4.1.**

4.2.5. Substitute Awards

In the case of any Substitute Award, such Substitute Award shall not be counted against the number of shares reserved under the Plan.

4.3. Award Limits

4.3.1. Incentive Stock Options.

Subject to adjustment under **Section 15**, 6,000,000 shares of Common Stock available for issuance under the Plan shall be available for issuance as Incentive Stock Options.

4.3.2. Individual Award Limits for Section 162(m) - Share-Based Awards.

Subject to adjustment under **Section 15**, the maximum number of each type of Award (other than cash-based Performance Awards) granted to any Grantee in any calendar year shall not exceed the following number of shares of Common Stock: (i) Options and SARs: 3,500,000 shares; and (ii) all share-based Performance Awards intended to constitute "performance-based compensation" under Section 162(m) (including Restricted Stock, Restricted Stock Units and Other Stock-based Awards that are Performance Awards): 3,500,000 shares.

4.3.3. Individual Award Limits for Section 162(m) - Cash-Based Awards.

The maximum amount of cash-based Performance Awards intended to constitute "performance-based compensation" under Section 162(m) granted to any Grantee in any calendar year shall not exceed the following: (i) Annual Incentive Award: $3,000,000; and (ii) all other cash-based Performance Awards: $3,000,000.

4.3.4. Limits on Awards to Non-Employee Directors.

No share-based Awards may be granted under the Plan during any one year to a Grantee who is a Non-Employee Director that exceed, together with any cash compensation received for such service, $750,000 (based on the Fair Market Value of the shares of Common Stock underlying the Award as of the applicable Grant Date in the case of Restricted Stock, Restricted Stock Units or Other Stock-based Awards, and based on the applicable grant date fair value for accounting purposes in the case of Options or SARs).

5. EFFECTIVE DATE, DURATION AND AMENDMENTS

5.1. Term.

The Plan shall be effective as of the Effective Date, provided that it has been approved by the Company's shareholders. The Plan shall terminate automatically on the ten (10) year anniversary of the Effective Date and may be terminated on any earlier date as provided in **Section 5.2**.

5.2. Amendment and Termination of the Plan.

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan as to any Awards which have not been made. An amendment shall be contingent on approval of the Company's shareholders to the extent stated by the Board, required by applicable law or required by applicable stock exchange listing requirements. Notwithstanding the foregoing, any amendment to **Section 3.2** shall be contingent upon the approval of the Company's shareholders. No Awards shall be made after the Termination Date. The applicable terms of the Plan, and any terms and conditions applicable to Awards granted prior to the Termination Date shall survive the termination of the Plan and continue to apply to such Awards. No amendment, suspension, or termination of the Plan shall, without the consent of the Grantee, materially impair rights or obligations under any Award theretofore awarded.

6. AWARD ELIGIBILITY AND LIMITATIONS

6.1. Service Providers.

Subject to this **Section 6.1**, Awards may be made to any Service Provider as the Board shall determine and designate from time to time in its discretion.

6.2. Successive Awards.

An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

6.3. Stand-Alone, Additional, Tandem, and Substitute Awards.

Awards may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Subsidiary, or any business entity to be acquired by the Company or a Subsidiary, or any other right of a Grantee to receive payment from the Company or any Subsidiary. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Board shall have the right to require the surrender of such other Award in consideration for the grant of the new Award. Subject to **Section 3.2**, the Board shall have the right, in its discretion, to make Awards in substitution or exchange for any other award under another plan of the Company, any Subsidiary, or any business entity to be acquired by the Company or any Subsidiary. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Subsidiary, in which the value of Stock subject to the Award is equivalent in value to the cash compensation (for example, Restricted Stock Units or Restricted Stock).

7. AWARD AGREEMENT

Each Award shall be evidenced by an Award Agreement, in such form or forms as the Board shall from time to time determine. Without limiting the foregoing, an Award Agreement may be provided in the form of a notice which provides that acceptance of the Award constitutes acceptance of all terms of the Plan and the notice. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Agreement evidencing an Award of Options shall specify whether such Options are intended to be Non-qualified Stock Options or Incentive Stock Options, and in the absence of such specification such options shall be deemed Non-qualified Stock Options.

8. TERMS AND CONDITIONS OF OPTIONS

8.1. Option Price.

The Option Price of each Option shall be fixed by the Board and stated in the related Award Agreement. The Option Price of each Option (except those that constitute Substitute Awards) shall be at least the Fair Market Value on the Grant Date of a share of Stock; *provided*, *however*, that in the event that a Grantee is a Ten Percent Shareholder as of the Grant Date, the Option Price of an Option granted to such Grantee that is intended to be an Incentive Stock Option shall be not less than 110 percent of the Fair Market Value of a share of Stock on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a share of Stock.

8.2. Vesting.

Subject to **Section 8.3** hereof, each Option shall become exercisable at such times and under such conditions (including, without limitation, performance requirements) as shall be determined by the Board and stated in the Award Agreement.

8.3. Term.

Each Option shall terminate, and all rights to purchase shares of Stock thereunder shall cease, upon the expiration of a period not to exceed ten (10) years from the Grant Date, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Board and stated in the related Award Agreement; *provided*, *however*, that in the event that the Grantee is a Ten Percent Shareholder, an Option granted to such Grantee that is intended to be an Incentive Stock Option at the Grant Date shall not be exercisable after the expiration of five (5) years from its Grant Date.

8.4. Limitations on Exercise of Option.

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, (i) prior to the date the Plan is approved by the shareholders of the Company as provided herein or (ii) after the occurrence of an event which results in termination of the Option.

8.5. Method of Exercise.

An Option that is exercisable may be exercised by the Grantee's delivery of a notice of exercise to the Company, setting forth the number of shares of Stock with respect to which the Option is to be exercised, accompanied by full payment for the shares. To be effective, notice of exercise must be made in accordance with procedures established by the Company from time to time.

8.6. Rights of Holders of Options.

Unless otherwise stated in the related Award Agreement, an individual holding or exercising an Option shall have none of the rights of a shareholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject shares of Stock or to direct the voting of the subject shares of Stock) until the shares of Stock covered thereby are fully paid and issued to him. Except as provided in **Section 15** hereof or the related Award Agreement, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

8.7. Limitations on Incentive Stock Options.

An Option shall constitute an Incentive Stock Option only (i) if the Grantee of such Option is an employee of the Company or any Subsidiary of the Company; (ii) to the extent specifically provided in the related Award Agreement; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the shares of Stock with respect to which all Incentive Stock Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee's employer and its Affiliates) does not exceed $100,000. This limitation shall be applied by taking Options into account in the order in which they were granted.

9. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

9.1. Right to Payment.

A SAR shall confer on the Grantee a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value of one share of Stock on the date of exercise over (ii) the SAR Exercise Price, as determined by the Board. The Award Agreement for a SAR (except those that constitute Substitute Awards) shall specify the SAR Exercise Price, which shall be fixed on the Grant Date as not less than the Fair Market Value of a share of Stock on that date. SARs may be granted alone or in conjunction with all or part of an Option or at any subsequent time during the term of such Option or in conjunction with all or part of any other Award. A SAR granted in tandem with an outstanding Option following the Grant Date of such Option shall have a SAR Exercise Price that is equal to the Option Price; *provided*, *however*, that the SAR Exercise Price may not be less than the Fair Market Value of a share of Stock on the Grant Date of the SAR to the extent required by Section 409A.

9.2. Other Terms.

The Board shall determine at the Grant Date, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which SARs shall cease to be or become exercisable following Separation from Service or upon other conditions, the method of exercise, whether or not a SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR.

9.3. Term of SARs.

The term of a SAR granted under the Plan shall be determined by the Board, in its sole discretion; *provided*, *however*, that such term shall not exceed ten (10) years.

9.4. Payment of SAR Amount.

Upon exercise of a SAR, a Grantee shall be entitled to receive payment from the Company (in cash or Stock, as determined by the Board) in an amount determined by multiplying:

(i) the difference between the Fair Market Value of a share of Stock on the date of exercise over the SAR Exercise Price; by

(ii) the number of shares of Stock with respect to which the SAR is exercised.

10. TERMS AND CONDITIONS OF RESTRICTED STOCK AND RESTRICTED STOCK UNITS

10.1 Restrictions.

At the time of grant, the Board may, in its sole discretion, establish a period of time (a "**Restricted Period**") and any additional restrictions including the satisfaction of corporate or individual performance objectives applicable to an Award of Restricted Stock or Restricted Stock Units in accordance with **Section 12.1** and **12.2**. Each Award of Restricted Stock or Restricted Stock Units may be subject to a different Restricted Period and additional restrictions. Neither Restricted Stock nor Restricted Stock Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Period or prior to the satisfaction of any other applicable restrictions.

10.2 Restricted Stock Certificates.

The Company shall issue stock, in the name of each Grantee to whom Restricted Stock has been granted, stock certificates or other evidence of ownership representing the total number of shares of Restricted Stock granted to the Grantee, as soon as reasonably practicable after the Grant Date.

10.3 Rights of Holders of Restricted Stock.

Unless the Board otherwise provides in an Award Agreement and subject to **Section 17.12**, holders of Restricted Stock shall have rights as shareholders of the Company, including voting and dividend rights.

10.4 Rights of Holders of Restricted Stock Units.

10.4.1. Settlement of Restricted Stock Units.

Restricted Stock Units may be settled in cash or Stock, as determined by the Board and set forth in the Award Agreement. The Award Agreement shall also set forth whether the Restricted Stock Units shall be settled (i) within the time period specified for "short term deferrals" under Section 409A or (ii) otherwise within the requirements of Section 409A, in which case the Award Agreement shall specify upon which events such Restricted Stock Units shall be settled.

10.4.2. Voting and Dividend Rights.

Unless otherwise stated in the applicable Award Agreement and subject to **Section 17.12**, holders of Restricted Stock Units shall not have rights as shareholders of the Company, including no voting or dividend or dividend equivalents rights.

10.4.3. Creditor's Rights.

A holder of Restricted Stock Units shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

10.5. Purchase of Restricted Stock.

The Grantee shall be required, to the extent required by applicable law, to purchase the Restricted Stock from the Company at a Purchase Price equal to the greater of (i) the aggregate par value of the shares of Stock represented by such Restricted Stock or (ii) the Purchase Price, if any, specified in the related Award Agreement. If specified in the Award Agreement, the Purchase Price may be deemed paid by Services already rendered. The Purchase Price shall be payable in a form described in **Section 11** or, in the discretion of the Board, in consideration for past Services rendered.

10.6. Delivery of Stock.

Upon the expiration or termination of any Restricted Period and the satisfaction of any other conditions prescribed by the Board, the restrictions applicable to shares of Restricted Stock or Restricted Stock Units settled in Stock shall lapse, and, unless otherwise provided in the Award Agreement, a stock certificate for such shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

11. FORM OF PAYMENT FOR OPTIONS AND RESTRICTED STOCK

11.1. General Rule.

Payment of the Option Price for the shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock shall be made in cash or in cash equivalents acceptable to the Company, except as provided in this **Section 11**.

11.2. Surrender of Stock.

To the extent the Award Agreement so provides, payment of the Option Price for shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock may be made all or in part through the tender to the Company of shares of Stock, which shares shall be valued, for purposes of determining the extent to which the Option Price or Purchase Price for Restricted Stock has been paid thereby, at their Fair Market Value on the date of exercise or surrender. Notwithstanding the foregoing, in the case of an Incentive Stock Option, the right to make payment in the form of already owned shares of Stock may be authorized only at the time of grant.

11.3. Cashless Exercise.

With respect to an Option only (and not with respect to Restricted Stock), to the extent permitted by law and to the extent the Award Agreement so provides, payment of the Option Price may be made all or in part by delivery (on a form acceptable to the Company) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell shares of Stock and to deliver all or part of the sales proceeds to the Company in payment of the Option Price and any withholding taxes described in **Section 17.3**.

11.4. Other Forms of Payment.

To the extent the Award Agreement so provides, payment of the Option Price or the Purchase Price for Restricted Stock may be made in any other form that is consistent with applicable laws, regulations and rules, including, but not limited to, the Company's withholding of shares of Stock otherwise due to the exercising Grantee.

12. TERMS AND CONDITIONS OF PERFORMANCE AWARDS

12.1. Performance Conditions.

The right of a Grantee to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions.

12.2. Performance Awards Granted to Designated Covered Employees.

If and to the extent that the Committee determines that a Performance Award to be granted to a Grantee who is designated by the Committee as having the potential to be a Covered Employee should qualify as "performance-based compensation" for purposes of Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of pre-established performance goals and other terms set forth in this **Section 12.2**. Notwithstanding anything herein to the contrary, the Committee in its discretion may provide for Performance Awards to Covered Employees that are not intended to qualify as "performance-based compensation" for purposes of Section 162(m).

12.2.1. Performance Goals Generally.

The performance goals for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this **Section 12.2**. Performance goals shall be objective and shall otherwise meet the requirements of Section 162(m) and regulations thereunder including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain." The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may, in the discretion of the Committee, be established on a Company-wide basis, or with respect to one or more business units, divisions, subsidiaries or business segments, as applicable. Performance goals may be absolute or relative (to the performance of one or more comparable companies or indices or based on year-over-year growth). To the extent consistent with the requirements of Section 162(m), the Committee may determine at the time that goals under this **Section 12** are established, the extent to which measurement of performance goals may exclude the impact of charges for restructuring, discontinued operations, debt redemption or retirement, asset write downs, litigation or claim judgments or settlements, acquisitions or divestitures, foreign exchange gains and losses, and other unusual non-recurring items, and the cumulative effects of tax or accounting changes. Performance goals may differ for Performance Awards granted to any one Grantee or to different Grantees.

12.2.2. Business Criteria.

One or more of the following business criteria for the Company, on a consolidated basis, and/or specified subsidiaries or business units of the Company (except with respect to the total shareholder return and earnings per share criteria), shall be used exclusively by the Committee in establishing performance goals for such Performance Awards: (i) cash flow; (ii) earnings per share; (iii) earnings or income measures (including EBITDA)); (iv) return measures (including return on assets, capital, invested capital, equity, sales, or revenue); (v) total shareholder return; (vi) share price performance; (vii) revenue; (viii) profit margin; (ix) customer metrics (including customer satisfaction, customer retention, customer profitability, or customer contract terms); (x) productivity; (xi) expense targets; (xii) market share; (xiii) cost control measures; (xiv) balance sheet metrics; (xv) strategic initiatives; (xvi) implementation, completion or attainment of measurable objectives with respect to recruitment or retention of personnel or employee satisfaction or workforce diversity; (xvi) successful completion of, or achievement of milestones or objectives related to, financing or capital raising transactions, strategic acquisitions or divestitures, joint ventures, partnerships, collaborations, or other transactions; (xvii) debt levels or reduction or debt ratios; (xviii) operating efficiency; (xix) working capital targets; (xx) quantifiable, objective measures of individual performance relevant to the particular individual's job responsibilities; (xxi) billings; (xxii) regulatory compliance; (xxiii) improvement of financial ratings; (xxiv) annual spend or license annual spend; (xxv) total contract value or total license contract value; or (xxvi) any combination of the foregoing business criteria; *provided*, *however*, that such business criteria shall include any derivations of business criteria listed above (e.g., income shall include pre-tax income, net income, or operating income).

12.2.3.Timing for Establishing Performance Goals.

Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance Awards, or at such other date as may be required or permitted for "performance-based compensation" under Section 162(m).

12.2.4. Settlement of Performance Awards; Other Terms.

Settlement of Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards.

12.3. Written Determinations.

All determinations by the Committee as to the establishment of performance goals, the amount of any Performance Award pool or potential individual Performance Awards and as to the achievement of performance goals relating to Performance Awards, shall be made in writing in the case of any Award intended to qualify under Section 162(m) to the extent required by Section 162(m). To the extent permitted by Section 162(m), the Committee may delegate any responsibility relating to such Performance Awards.

12.4. Status of Section 12.2 Awards under Section 162(m).

It is the intent of the Company that Performance Awards under **Section 12.2** hereof granted to persons who are designated by the Committee as having the potential to be Covered Employees within the meaning of Section 162(m) and regulations thereunder shall, if so designated by the Committee, constitute "qualified performance-based compensation" within the meaning of Section 162(m) and regulations thereunder. Accordingly, the terms of **Section 12.2**, including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Grantee will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee, at the time of grant of Performance Awards, as having the potential to be a Covered Employee with respect to that fiscal year or any subsequent fiscal year. If any provision of the Plan or any agreement relating to such Performance Awards does not comply or is inconsistent with the requirements of Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

13. OTHER STOCK-BASED AWARDS

13.1. Grant of Other Stock-based Awards.

Other Stock-based Awards may be granted either alone or in addition to or in conjunction with other Awards under the Plan. Other Stock-based Awards may be granted in lieu of other cash or other compensation to which a Service Provider is entitled from the Company or may be used in the settlement of amounts payable in shares of Common Stock under any other compensation plan or arrangement of the Company. Subject to the provisions of the Plan, the Committee shall have the sole and complete authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be granted pursuant to such Awards, and all other conditions of such Awards. Unless the Committee determines otherwise, any such Award shall be confirmed by an Award Agreement, which shall contain such provisions as the Committee determines to be necessary or appropriate to carry out the intent of this Plan with respect to such Award.

13.2. Terms of Other Stock-based Awards.

Any Common Stock subject to Awards made under this **Section 13** may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

14. REQUIREMENTS OF LAW

14.1. General.

The Company shall not be required to sell or issue any shares of Stock under any Award if the sale or issuance of such shares would constitute a violation by the Grantee, any other individual exercising an Option, or the Company of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares hereunder, no shares of Stock may be issued or sold to the Grantee or any other individual exercising an Option pursuant to such Award unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or the delivery of any shares of Stock underlying an Award, unless a registration statement under such Act is in effect with respect to the shares of Stock covered by such Award, the Company shall not be required to sell or issue such shares unless the Board has received evidence satisfactory to it that the Grantee or any other individual exercising an Option may acquire such shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Board shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of shares of Stock pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the shares of Stock covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

14.2. Rule 16b-3.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards and the exercise of Options granted to officers and directors hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board or Committee does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

15. EFFECT OF CHANGES IN CAPITALIZATION

15.1. Changes in Stock.

If (i) the number of outstanding shares of Stock is increased or decreased or the shares of Stock are changed into or exchanged for a different number or kind of shares or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Company occurring after the Effective Date or (ii) there occurs any spin-off, split-up, extraordinary cash dividend or other distribution of assets by the Company, the number and kinds of shares for which grants of Awards may be made under the Plan (including the per-Grantee maximums set forth in **Section 4**) shall be equitably adjusted by the Company; provided that any such adjustment shall comply with Section 409A. In addition, in the event of any such increase or decease in the number of outstanding shares or other transaction described in clause (ii) above, the number and kind of shares for which Awards are outstanding and the Option Price per share of outstanding Options and SAR Exercise Price per share of outstanding SARs shall be equitably adjusted; provided that any such adjustment shall comply with Section 409A.

15.2. Effect of Certain Transactions.

Except as otherwise provided in an Award Agreement, in the event of a Corporate Transaction, the Plan and the Awards issued hereunder shall continue in effect in accordance with their respective terms, except that following a Corporate Transaction either (i) each outstanding Award shall be treated as provided for in the agreement entered into in connection with the Corporate Transaction or (ii) if not so provided in such agreement, each Grantee shall be entitled to receive in respect of each share of Common Stock subject to any outstanding Awards, upon exercise or payment or transfer in respect of any Award, the same number and kind of stock, securities, cash, property or other consideration that each holder of a share of Common Stock was entitled to receive in the Corporate Transaction in respect of a share of Common stock; *provided*, *however*, that, unless otherwise determined by the Committee, such stock, securities, cash, property or other consideration shall remain subject to all of the conditions, restrictions and performance criteria which were applicable to the Awards prior to such Corporate Transaction. Without limiting the generality of the foregoing, the treatment of outstanding Options and SARs pursuant to this **Section 15.2** in connection with a Corporate Transaction in which the consideration paid or distributed to the Company's shareholders is not entirely shares of common stock of the acquiring or resulting corporation may include the cancellation of outstanding Options and SARs upon consummation of the Corporate Transaction as long as, at the election of the Committee, (i) the holders of affected Options and SARs have been given a period of at least fifteen days prior to the date of the consummation of the Corporate Transaction to exercise the Options or SARs (to the extent otherwise exercisable) or (ii) the holders of the affected Options and SARs are paid (in cash or cash equivalents) in respect of each Share covered by the Option or SAR being canceled an amount equal to the excess, if any, of the per share price paid or distributed to shareholders in the Corporate Transaction (the value of any non-cash consideration to be determined by the Committee in its sole discretion) over the Option Price or SAR Exercise Price, as applicable. For avoidance of doubt, (1) the cancellation of Options and SARs pursuant to clause (ii) of the preceding sentence may be effected notwithstanding anything to the contrary contained in this Plan or any Award Agreement and (2) if the amount determined pursuant to clause (ii) of the preceding sentence is zero or less, the affected Option or SAR may be cancelled without any payment therefore. The treatment of any Award as provided in this **Section 15.2** shall be conclusively presumed to be appropriate for purposes of **Section 15.1**.

15.3. Change in Control

15.3.1. Consequences of a Change in Control

For any Awards outstanding as of the date of a Change in Control, either of the following provisions shall apply, depending on whether, and the extent to which, Awards are assumed, converted or replaced by the resulting entity in a Change in Control, unless otherwise provided by the Award Agreement:

(i) To the extent such Awards are not assumed, converted or replaced by the resulting entity in the Change in Control, then upon the Change in Control such outstanding Awards that may be exercised shall become fully exercisable, all restrictions with respect to such outstanding Awards, other than for Performance Awards, shall lapse and become vested and non-forfeitable, and for any outstanding Performance Awards the target payout opportunities attainable under such Awards shall be deemed to have been fully earned as of the Change in Control based upon the greater of: (A) an assumed achievement of all relevant performance goals at the "target" level, or (B) the actual level of achievement of all relevant performance goals against target as of the Company's fiscal quarter end preceding the Change in Control and the Award shall become vested pro rata based on the portion of the applicable performance period completed through the date of the Change in Control.

(ii) To the extent such Awards are assumed, converted or replaced by the resulting entity in the Change in Control, if, within one year after the date of the Change in Control, the Service Provider has a Separation from Service by the Company other than for "cause" (which may include a Separation from Service by the Service Provider for "good reason" if provided in the applicable Award Agreement), as such terms are defined in the Award Agreement, then such outstanding Awards that may be exercised shall become fully exercisable, all restrictions with respect to such outstanding Awards, other than for Performance Awards, shall lapse and become vested and non-forfeitable, and for any outstanding Performance Awards the target payout opportunities attainable under such Awards shall be deemed to have been fully earned as of the Separation from Service based upon the greater of: (A) an assumed achievement of all relevant performance goals at the "target" level, or (B) the actual level of achievement of all relevant performance goals against target as of the Company's fiscal quarter end preceding the Change in Control and the Award shall become vested pro rata based on the portion of the applicable performance period completed through the date of the Separation from Service.

15.3.2. Change in Control Defined

Except as may otherwise be defined in an Award Agreement, a "**Change in Control**" shall mean the occurrence of any of the following events:

(i) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "**Person**") of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 50% or more of either (x) the then-outstanding shares of common stock of the Company (the "**Outstanding Company Common Stock**") or (y) the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**"); provided that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for common stock or voting securities of the Company, unless the Person exercising, converting or exchanging such security acquired such security directly from the Company or an underwriter or agent of the Company), (B) any acquisition by any employee benefit plan (or related trust)

sponsored or maintained by the Company or any corporation controlled by the Company or (C) any acquisition by any corporation pursuant to a Business Combination (as defined in subsection (iii) of this Section 15.3.2) that complies with clauses (x) and (y) of subsection (iii) of this Section 15.3.2; or

(ii) such time as the Continuing Directors do not constitute a majority of the Board (or, if applicable, the Board of Directors of a successor corporation to the Company), where the term "**Continuing Director**" means at any date a member of the Board (x) who was a member of the Board on the date of the initial adoption of this Plan by the Board or (y) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election, provided that there shall be excluded from this clause (y) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(iii) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a "**Business Combination**"), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (x) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include a corporation that as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation is referred to herein as the "**Acquiring Corporation**") in substantially the same proportions as their ownership of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, immediately prior to such Business Combination, excluding for all purposes of this clause (x) any shares of common stock or other securities of the Acquiring Corporation attributable to any such individual's or entity's ownership of securities other than Outstanding Company Common Stock or Outstanding Company Voting Securities immediately prior to the Business Combination); and (y) no Person (excluding the Acquiring Corporation or any employee benefit plan (or related trust) maintained or sponsored by the Company or by the Acquiring Corporation) beneficially owns, directly or indirectly, 50% or more of the then-outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of directors (except to the extent that such ownership existed prior to the Business Combination); or

(iv) the liquidation or dissolution of the Company.

15.4. Adjustments

Adjustments under this **Section 15** related to shares of Stock or securities of the Company shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

16. NO LIMITATIONS ON COMPANY

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

17. TERMS APPLICABLE GENERALLY TO AWARDS GRANTED UNDER THE PLAN

17.1. Disclaimer of Rights.

No provision in the Plan or in any Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any Subsidiary, or to interfere in any way with any contractual or other right or authority of the Company either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a Service Provider. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

17.2. Nonexclusivity of the Plan.

Neither the adoption of the Plan nor the submission of the Plan to the shareholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals), including, without limitation, the granting of stock options as the Board in its discretion determines desirable.

17.3. Withholding Taxes.

The Company or a Subsidiary, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, state, or local taxes of any kind required by law to be withheld (i) with respect to the vesting of or other lapse of restrictions applicable to an Award, (ii) upon the issuance of any shares of Stock upon the exercise of an Option or SAR, or (iii) otherwise due in connection with an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Company or the Subsidiary, as the case may be, any amount that the Company or the Subsidiary may reasonably determine to be necessary to satisfy such withholding obligation. The Company or the Subsidiary, as the case may be, may in its sole discretion, require or permit the Grantee to satisfy such obligations, in whole or in part, (i) by causing the Company or the Subsidiary to withhold the up to the maximum required number of shares of Stock otherwise issuable to the Grantee as may be necessary to satisfy such withholding obligation or (ii) by delivering to the Company or the Subsidiary shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Company or the Subsidiary as of the date that the amount of tax to be withheld is to be determined. To the extent applicable, a Grantee may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

17.4. Captions.

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or any Award Agreement.

17.5. Other Provisions.

Each Award Agreement may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion. In the event of any conflict between the terms of an employment agreement and the Plan, the terms of the employment agreement govern.

17.6. Number and Gender.

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

17.7. Severability.

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

17.8. Governing Law.

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law, and applicable Federal law.

17.9. Section 409A.

The Plan is intended to comply with Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Section 409A shall not be treated as deferred compensation unless applicable laws require otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six (6) month period immediately following the Grantee's Separation from Service shall instead be paid on the first payroll date after the six-month anniversary of the Grantee's Separation from Service (or the Grantee's death, if earlier). Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any excise tax or penalty on any Grantee under Section 409A and neither the Company nor the Committee will have any liability to any Grantee for such tax or penalty.

17.10. Separation from Service.

The Board shall determine the effect of a Separation from Service upon Awards, and such effect shall be set forth in the appropriate Award Agreement. Without limiting the foregoing, the Board may provide in the Award Agreements at the time of grant, or any time thereafter with the consent of the Grantee, the actions that will be taken upon the occurrence of a Separation from Service, including, but not limited to, accelerated vesting or termination, depending upon the circumstances surrounding the Separation from Service.

17.11. Transferability of Awards.

17.11.1. Transfers in General.

Except as provided in **Section 17.11.2**, no Award shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution, and, during the lifetime of the Grantee, only the Grantee personally (or the Grantee's personal representative) may exercise rights under the Plan.

17.11.2.Family Transfers.

If authorized in the applicable Award Agreement, a Grantee may transfer, not for value, all or part of an Award (other than Incentive Stock Options) to any Family Member. For the purpose of this **Section 17.11.2**, a "not for value" transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in that entity. Following a transfer under this **Section 17.11.2**, any such Award shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Awards are prohibited except to Family Members of the original Grantee in accordance with this **Section 17.11.2** or by will or the laws of descent and distribution.

17.12. Dividends and Dividend Equivalent Rights.

If specified in the Award Agreement, the recipient of an Award under this Plan may be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the Common Stock or other securities covered by an Award. The terms and conditions of a dividend equivalent right may be set forth in the Award Agreement. Dividend equivalents credited to a Grantee may be paid currently or may be deemed to be reinvested in additional shares of Stock or other securities of the Company at a price per unit equal to the Fair Market Value of a share of Stock on the date that such dividend was paid to shareholders, as determined in the sole discretion of the Committee. Notwithstanding the foregoing, in no event will dividends or dividend equivalents on any Award which is subject to the achievement of performance criteria be payable before the Award has become earned and payable.

The Plan was adopted by the Board of Directors on October 19, 2016.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Antonio J. Pietri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aspen Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2016

/s/ ANTONIO. J. PIETRI
Antonio J. Pietri
President and Chief Executive Officer
(*Principal Executive Officer)*

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Karl E. Johnsen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aspen Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2016

/s/ KARL E. JOHNSEN
Karl E. Johnsen
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Aspen Technology, Inc. (the "Company") for the quarter ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies in his capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2016

/s/ ANTONIO J. PIETRI
Antonio J. Pietri
President and Chief Executive Officer

Date: October 27, 2016

/s/ KARL E. JOHNSEN
Karl E. Johnsen
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Aspen Technology, Inc. and will be retained by Aspen Technology, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.