# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 8-K

### **CURRENT REPORT**

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 27, 2016

# ASPEN TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware

ction

(State or other jurisdiction of incorporation)

**0-24786** (Commission File Number) 04-2739697 (IRS Employer Identification No.)

20 Crosby Drive, Bedford, MA

(Address of principal executive offices)

**01730** (Zip Code)

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

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

□ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

□ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Dere-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Dere-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

#### Item 2.02 Events Results of Operations and Financial Condition.

On October 27, 2016, we issued a press release announcing financial results for the first quarter ended September 30, 2016. The full text of the press release issued in connection with this announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 except as expressly set forth by specific reference in such a filing.

#### Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

Exhibit No.	Description
99.1	Press release issued by Aspen Technology, Inc. on October 27, 2016.

#### SIGNATURE

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 hereunto duly authorized.

#### ASPEN TECHNOLOGY, INC.

Date: October 27, 2016

By: /s/ Karl E. Johnsen

Karl E. Johnsen Senior Vice President and Chief Financial Officer

#### EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued by Aspen Technology, Inc. on October 27, 2016.



#### Contacts:

Media Contact	<b>Investor Contact</b>
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## Aspen Technology Announces Financial Results for the First Quarter of Fiscal 2017

**Bedford, Mass. - October 27, 2016** - Aspen Technology, Inc. (NASDAQ: AZPN), a leading provider of software and services to the process industries, today announced financial results for its first quarter of fiscal year 2017, ended September 30, 2016.

Antonio Pietri, President and Chief Executive Officer of AspenTech, said, "AspenTech delivered solid first quarter fiscal 2017 financial results that exceeded expectations from both a revenue and profitability perspective. We also made significant progress against our Asset Optimization strategy, completing two technology acquisitions during the quarter and today announcing the acquisition of Mtell. We believe these acquisitions will greatly enhance the capabilities of our analytics and maintenance solutions and further strengthen the value of the aspenONE offering for our customers."

Pietri continued, "We also repurchased \$130 million of stock during the first quarter as part of our share repurchase program. Our disciplined execution enables us to continue investing in product innovation while also maintaining our share repurchase program, generating significant value for customers and shareholders."

#### First Quarter Fiscal 2017 and Recent Business Highlights

- Annual spend, which the company defines as the annualized value of all term license and maintenance contracts at the end of the quarter, was approximately \$446 million at the end of the first quarter of fiscal 2017, which increased 5.4% compared to the first quarter of fiscal 2016 and 1.1% sequentially.
- GAAP operating margin was 45.6%, compared to 46.1% in the first quarter of fiscal 2016. Non-GAAP operating margin was 50.4%, compared to 50.1% in the first quarter of fiscal 2016.
- AspenTech repurchased 2.9 million shares of its common stock for \$130.0 million in the first quarter of fiscal 2017.

#### Summary of First Quarter Fiscal Year 2017 Financial Results

AspenTech's total revenue of \$120.1 million included:

- Subscription and software revenue was \$113.4 million in the first quarter of fiscal 2017, an increase from \$111.9 million in the first quarter of fiscal 2016.
- Services and other revenue was \$6.6 million in the first quarter of fiscal 2017, compared to \$8.4 million in the first quarter of fiscal 2016.

For the quarter ended September 30, 2016, AspenTech reported income from operations of \$54.7 million, compared to income from operations of \$55.4 million for the quarter ended September 30, 2015.

Net income was \$35.0 million for the quarter ended September 30, 2016, leading to net income per share of \$0.44, consistent with net income per share of \$0.44 in the same period last fiscal year.

Non-GAAP income from operations, which adds back the impact of stock-based compensation expense, amortization of intangibles associated with acquisitions, acquisition-related expenses and non-capitalized acquired technology was \$60.5 million for the first quarter of fiscal 2017, compared to non-GAAP income from operations of \$60.2 million in the same period last fiscal year. Non-GAAP net income was \$38.7 million, or \$0.49 per share, for the first quarter of fiscal 2017, compared to non-GAAP net income of \$39.8 million, or \$0.47 per share, in the same period last fiscal year. A reconciliation of GAAP to non-GAAP results is included in the financial tables included in this press release.

AspenTech had cash and marketable securities of \$191.6 million and borrowings of \$140 million at September 30, 2016.

During the first quarter, the company generated \$26.3 million in cash flow from operations and \$26.7 million in free cash flow.

#### **Use of Non-GAAP Financial Measures**

This press release contains "non-GAAP financial measures" under the rules of the U.S. Securities and Exchange Commission. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. A reconciliation of GAAP to non-GAAP results is included in the financial tables included in this press release.

Management considers both GAAP and non-GAAP financial results in managing AspenTech's business. As the result of adoption of new licensing models, management believes that a number of AspenTech's performance indicators based on GAAP, including revenue, gross profit, operating income and net income, should be viewed in conjunction with certain non-GAAP and other business measures in assessing AspenTech's performance, growth and financial condition. Accordingly, management utilizes a number of non-GAAP and other business metrics, including the non-GAAP metrics set forth in this press release, to track AspenTech's business performance. None of these non-GAAP metrics should be considered as an alternative to any measure of financial performance calculated in accordance with GAAP.

#### **Conference Call and Webcast**

AspenTech will host a conference call and webcast today, October 27, 2016, at 4:30 p.m. (Eastern Time), to discuss the company's financial results for the first quarter fiscal year 2017 as well as the company's business outlook.

The live dial-in number is (866) 604-6127 or (443) 961-0460, conference ID code 99548515. Interested parties may also listen to a live webcast of the call by logging on to the Investor Relations section of AspenTech's website. http://www.aspentech.com/corporate/investor.cfm, and clicking on the "webcast" link. A replay of the call will be archived on AspenTech's website and will also be available via telephone at (855) 859-2056 or (404) 537-3406, conference ID code 99548515, through November 27, 2016.

#### About AspenTech

AspenTech is a leading supplier of software that optimizes process manufacturing - for energy, chemicals, engineering and construction, and other industries that manufacture and produce products from a chemical process. With integrated aspenONE solutions, process manufacturers can implement best practices for optimizing their engineering, manufacturing and supply chain operations. As a result, AspenTech customers are better able to increase capacity,

improve margins, reduce costs and become more energy efficient. To see how the world's leading process manufacturers rely on AspenTech to achieve their operational excellence goals, visit www.aspentech.com.

#### **Forward-Looking Statements**

The second and third paragraphs of this press release contain forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results may vary significantly from AspenTech's expectations based on a number of risks and uncertainties, including, without limitation: AspenTech's failure to increase usage and product adoption of aspenONE offerings, and failure to continue to provide innovative, market-leading solutions; demand for, or usage of, aspenONE software declines for any reason, including declines due to adverse changes in the process industries; unfavorable economic and market conditions or a lessening demand in the market for process optimization software; and other risk factors described from time to time in AspenTech's periodic reports filed with the Securities and Exchange Commission. AspenTech cannot guarantee any future results, levels of activity, performance, or achievements. AspenTech expressly disclaims any obligation to update forward-looking statements after the date of this press release.

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Source: Aspen Technology, Inc.

## ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF OPERATIONS** (Unaudited in thousands, except per share data)

	Three Months Ended September 30,				
	 2016		2015		
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	 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		

#### ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS** (Unaudited in thousands, except share data)

Short-term marketable securities 143   Accounts receivable, net 21   Prepaid expenses and other current assets 12   Prepaid income taxes 222   Property, equipment and leasehold improvements, net 11   Computer software development costs, net 22   Goodwill 22   Intangible assets, net 9   Non-current deferred tax assets 112   Other non-current assets 113   Total assets 5   Accound sepenses and other current liabilities 22   Income taxes payable \$   Accrued expenses and other current liabilities 22   Income taxes payable 111   Borrowings under credit agreement 140   Current deferred revenue 220   Total current liabilities 33   Commitments and contingencies 33   Commitments and contingencies 33   Common stock, S0.10 par value— 411   Authorized—3,636 shares as of September 30, 2016 and June 30, 2016 35   Issued and outstanding—none as of September 30, 2016 and June 30, 2016 35   Stockholders' deficit: 20	er 30, 6	<u>.</u>		June 30, 2016
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Income taxes payable11Borrowings under credit agreement140Current deferred revenue220Total current liabilities411Non-current deferred revenue28Other non-current liabilities33Commitments and contingencies33Series D redeemable convertible preferred stock, \$0.10 par value— Authorized—3,636 shares as of September 30, 2016 and June 30, 201633Issued and outstanding— none as of September 30, 2016 and June 30, 201634Stockholders' 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, 201610Additional paid-in capital640Additional paid-in capital640Retained earnings (deficit)29Accumulated other comprehensive income11Treasury stock, at cost—24,750,723 shares of common stock at September 30, 201616(871)2016And 21,854,010 shares at June 30, 2016(871)	29,968	1 -		36,105
Borrowings under credit agreement140Current deferred revenue220Total current liabilities411Non-current deferred revenue28Other non-current liabilities33Commitments and contingencies33Series D redeemable convertible preferred stock, \$0.10 par value— Authorized—3,636 shares as of September 30, 2016 and June 30, 201635Issued and outstanding— none as of September 30, 2016 and June 30, 201635Stockholders' 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, 201610Additional paid-in capital640Retained eamings (deficit)25Accumulated other comprehensive income11Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016(87)	11,838	•		439
Current deferred revenue226Total current liabilities411Non-current deferred revenue28Other non-current liabilities33Commitments and contingencies33Series D redeemable convertible preferred stock, \$0.10 par value— Authorized—3,636 shares as of September 30, 2016 and June 30, 20163Issued and outstanding— none as of September 30, 2016 and June 30, 20163Stockholders' deficit:20Common stock, \$0.10 par value— Authorized—210,000,000 shares3Issued—102,218,791 shares at September 30, 2016 and 102,031,960 shares at June 30, 201610Outstanding—77,468,068 shares at September 30, 2016 and 80,177,950 shares at June 30, 201610Additional paid-in capital646Retained earnings (deficit)25Accumulated other comprehensive income11Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016(87)	40,000	owings under credit agreement		140,000
Non-current deferred revenue28Other non-current liabilities33Commitments and contingencies33Series D redeemable convertible preferred stock, \$0.10 par value— Authorized— 3,636 shares as of September 30, 2016 and June 30, 201636Issued and outstanding— none as of September 30, 2016 and June 30, 201630Stockholders' deficit:20Common stock, \$0.10 par value— Authorized—210,000,000 shares30, 2016Issued— 102,218,791 shares at September 30, 2016 and 102,031,960 shares at June 30, 201610Outstanding— 77,468,068 shares at September 30, 2016 and 80,177,950 shares at June 30, 201610Additional paid-in capital644Retained earnings (deficit)29Accumulated other comprehensive income11Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016(87)	26,105			252,520
Non-current deferred revenue28Other non-current liabilities33Commitments and contingencies33Series D redeemable convertible preferred stock, \$0.10 par value— Authorized— 3,636 shares as of September 30, 2016 and June 30, 201630Issued and outstanding— none as of September 30, 2016 and June 30, 201630Stockholders' deficit:30Common 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, 2016100Outstanding— 77,468,068 shares at September 30, 2016 and 80,177,950 shares at June 30, 2016100Additional paid-in capital6440Retained earnings (deficit)29Accumulated other comprehensive income11Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016(871)	11,665	otal current liabilities	_	432,623
Other non-current liabilities33Commitments and contingencies33Series D redeemable convertible preferred stock, \$0.10 par value— Authorized—3,636 shares as of September 30, 2016 and June 30, 201630Issued and outstanding— none as of September 30, 2016 and June 30, 201630Stockholders' deficit:30Common 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, 201631Outstanding— 77,468,068 shares at September 30, 2016 and 80,177,950 shares at June 30, 201610Additional paid-in capital640Retained earnings (deficit)29Accumulated other comprehensive income11Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016(87)	28,097	irrent deferred revenue		29,558
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, 2016Stockholders' 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, 2016Outstanding— 77,468,068 shares at September 30, 2016 and 80,177,950 shares at June 30, 201610Additional paid-in capital646 Retained earnings (deficit)29Accumulated other comprehensive income11Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016(87)	33,767	non-current liabilities		32,591
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, 2016Stockholders' 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, 2016Outstanding— 77,468,068 shares at September 30, 2016 and 80,177,950 shares at June 30, 201610Additional paid-in capital646 Retained earnings (deficit)29Accumulated other comprehensive income11Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016(87)		itments and contingencies		
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, 2016Image: Common stock at September 30, 2016 and 80,177,950 shares at June 30, 2016Additional paid-in capital640 Retained earnings (deficit)25 Accumulated other comprehensive incomeTreasury stock, at cost—24,750,723 shares of common stock at September 30, 2016(87) (87)		ized—3,636 shares as of September 30, 2016 and June 30, 2016		_
Issued— 102,218,791 shares at September 30, 2016 and 102,031,960 shares at June 30, 2016102,031,960 shares at June 30, 2016Outstanding— 77,468,068 shares at September 30, 2016 and 80,177,950 shares at June 30, 2016100Additional paid-in capital640Retained earnings (deficit)29Accumulated other comprehensive income100Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016 and 21,854,010 shares at June 30, 2016(871)		olders' deficit:		
at June 30, 201610Additional paid-in capital640Retained earnings (deficit)25Accumulated other comprehensive income11Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016 and 21,854,010 shares at June 30, 2016(871)		d—102,218,791 shares at September 30, 2016 and 102,031,960 shares at		
Retained earnings (deficit)29Accumulated other comprehensive income1Treasury stock, at cost—24,750,723 shares of common stock at September 30, 2016 and 21,854,010 shares at June 30, 2016(871)	10,222			10,203
Accumulated other comprehensive incomeITreasury stock, at cost—24,750,723 shares of common stock at September 30, 2016 and 21,854,010 shares at June 30, 2016(871)	46,647	tional paid-in capital		659,287
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	29,324	ined earnings (deficit)		(5,676
2016 and 21,854,010 shares at June 30, 2016 (871	1,721	mulated other comprehensive income		2,651
	71,499)			(741,499
I Utal Stockholucis delicit (182	83,585)	otal stockholders' deficit		(75,034
	89,944		\$	419,738

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

		Three Months Ended September 30,			
	2016			2015	
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	
	<u> </u>		-		
Supplemental disclosure of cash flow information:					
Income taxes paid, net	\$	1,239	\$	2,895	
Interest paid		850		1	

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES Reconciliation of GAAP to Non-GAAP Results of Operations and Cash Flows (Unaudited in thousands, except per share data)

	Three Months Ended September 30,			
		2016		2015
<u>Total expenses</u>				
GAAP total expenses (a)	\$	65,320	\$	64,867
Less:				
Stock-based compensation (b)		(4,958)		(4,423)
Non-capitalized acquired technology (e)		(350)		(250)
Amortization of purchased technology intangibles		(55)		(113)
Acquisition related fees (f)		(362)		—
Non-GAAP total expenses	\$	59,595	\$	60,081
Income from operations				
GAAP income from operations	\$	54,730	\$	55,429
Plus:				
Stock-based compensation (b)		4,958		4,423
Non-capitalized acquired technology (e)		350		250
Amortization of purchased technology intangibles		55		113
Acquisition related fees (f)		362		_
Non-GAAP income from operations	\$	60,455	\$	60,215
<u>Net income</u>				
GAAP net income	\$	35,000	\$	36,771
Plus:				
Stock-based compensation (b)		4,958		4,423
Non-capitalized acquired technology (e)		350		250
Amortization of purchased technology intangibles		55		113
Acquisition related fees (f)		362		
Less:				
Income tax effect on Non-GAAP items (c)		(2,061)		(1,723)
Non-GAAP net income	\$	38,664	\$	39,834
Diluted income per share	¢	0.44	¢	0.44
GAAP diluted income per share	\$	0.44	\$	0.44
Plus:		0.07		0.05
Stock-based compensation (b)		0.06		0.05
Non-capitalized acquired technology (e)		0.01		—
Amortization of purchased technology intangibles				
Acquisition related fees (f)		0.01		
Less:				
Income tax effect on Non-GAAP items (c)		(0.03)		(0.02)
Non-GAAP diluted income per share	\$	0.49	\$	0.47
Shares used in computing Non-GAAP diluted income per share		79,385		84,320
acta in companing rion of a a diracta moonie per suale		12,505		01,520

#### ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES Reconciliation of GAAP to Non-GAAP Results of Operations and Cash Flows

(Unaudited in thousands, except per share data)

	Three Months Ended September 30,		
	 2016	2015	
Free Cash Flow			
GAAP cash flow from operating activities	\$ 26,250 \$	18,446	
Purchase of property, equipment and leasehold improvements	(898)	(1,119)	
Capitalized computer software development costs	(51)		
Non-capitalized acquired technology (e)	846	1,250	
Excess tax benefits from stock-based compensation (d)	584	1,577	
Free Cash Flow	\$ 26,731 \$	20,154	

(a) GAAP total expenses

		Three Months Ended September 30,			
	2016 2015			2015	
Total costs of revenue	\$	11,506	\$	12,972	
Total operating expenses		53,814		51,895	
GAAP total expenses	\$	65,320	\$	64,867	

(b) Stock-based compensation expense was as follows:

		Three Months Ended September 30,			
	2016 201			2015	
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	

(c) The income tax effect on non-GAAP items for the three months ended September 30, 2016 and 2015 is calculated utilizing the Company's estimated federal and state tax rate of 36%.

(d) 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.

(e) 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. In the three months ended September 30, 2016 and 2015, we have excluded payments of \$0.8 million and \$1.3 million, respectively, for the non-capitalized acquired technology (including a \$0.5 million and \$1 million, respectively of final payments related to non-capitalized acquired technology from prior fiscal periods) from free cash flow to be consistent with the treatment of other transactions where the acquired assets were capitalized.

(f) During the three months ended September 30, 2016, we incurred \$0.4 million of operating expenses related to acquisition fees, which were not paid by September 30, 2016. There were no such activities for the three months ended September 30, 2015.