SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 1997

OR

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

Commission file number 0-24786

ASPEN TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

MASSACHUSETTS	04-2739697
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

TEN CANAL PARK, CAMBRIDGE, MASSACHUSETTS 02141
(Address of principal executive offices) (Zip code)
(617) 949-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None.

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.10 per share

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 _X_ No __.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III to this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the Registrant as at September 19, 1997 was $654,185,862 based on a total of 19,823,814 shares held by non-affiliates and the closing price reported on the Nasdaq National Market on that date, which was $33.00.

Number of shares outstanding at September 19, 1997:
21,087,628 shares of Common Stock, par value $0.10 per share.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive Proxy Statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended June 30, 1997. Portions of such Proxy Statement are incorporated by reference in PART III of this report.

ASPEN TECHNOLOGY, INC.
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PART I

ITEM 1. BUSINESS

Aspen Technology, Inc. (the "Company" or "AspenTech") is a leading supplier of off-the-shelf software products and services for the analysis, design and automation of manufacturing facilities by companies in the process industries, including the chemicals, petrochemicals, petroleum, pharmaceuticals, pulp and paper, electric power, and food and consumer products industries. Process manufacturers use AspenTech's solutions, a family of software products and services, to design, operate and manage manufacturing processes more efficiently, safely and profitably.

AspenTech provides a sophisticated, integrated family of off-the-shelf software products for use across the entire process manufacturing life-cycle, from "off-line" applications used primarily in research and development, and engineering, to "on-line" applications used principally in production. The Company's off-line software is used by engineers on desktop computers primarily to simulate and predict the performance of manufacturing processes in connection with the design of new facilities or processes and the analysis of existing facilities or processes. AspenTech's on-line software, which is connected directly to plant instrumentation, enables the real-time adjustment of production variables in response to constantly changing operating conditions to improve process efficiency, planning and scheduling. AspenTech's product offerings are classified in four categories: modeling; planning and scheduling; information management systems ("IMS"); and advanced process control ("APC") and optimization. Chemical engineers who work in the off-line research and development and engineering stages of plant and process design and analysis are the principal users of modeling products, while chemical and control engineers who work in the on-line stages of real-time plant operation are the primary users of IMS, APC and optimization software and services.

The Company's modeling software mathematically simulates and predicts the performance of manufacturing processes under varying equipment configurations and operating conditions, enabling chemical engineers to design cost-effective, efficient processes that comply with environmental and safety requirements. AspenTech's planning and scheduling software is used by petroleum refiners and chemical manufacturers for feedstock selection, product mix optimization, logistics, scheduling, process unit optimization, and investment planning. AspenTech's IMS software is used by process manufacturers to gather and analyze large volumes of real-time plant operations data in order to better understand actual performance within a complex process manufacturing facility. IMS software allows customers to compare actual performance with theoretical benchmarks derived from models and to make appropriate adjustments on a real-time basis. AspenTech's APC and optimization software products are designed to enable customers to achieve superior operating performance by continuously adjusting key process variables to maintain optimal target levels under constantly changing conditions. The Company initially became a provider of IMS software and services through its acquisition of Industrial Systems, Inc. ("ISI") in May 1995, and expanded its IMS capabilities through its acquisition of Setpoint, Inc. ("Setpoint") in February 1996. AspenTech significantly enhanced its APC and optimization software offerings through the Setpoint acquisition as well as its acquisition of Dynamic Matrix Control Corporation ("DMCC") in January 1996. AspenTech further extended family of on-line solutions to include economic planning and scheduling capabilities by acquiring the assets of Bechtel Corporation's PIMS (Process Industries Modeling System) business in December 1996.

AspenTech combines its integrated family of off-the-shelf software products with design and implementation consulting services in order to market a complete solution to its customers. The Company significantly strengthened its on-line consulting services through its acquisitions of DMCC and Setpoint in early 1996, and expanded the global reach of its consulting services organization with the acquisition in October 1996 of the process control division of Cambridge Control Ltd ("Cambridge Control"). AspenTech believes its ability to offer a complete solution of both industry-leading software and sophisticated process engineering expertise is an important source of competitive differentiation.

AspenTech's customers span a broad range of process industry segments. With more than 750 customers worldwide, AspenTech currently licenses its software to 45 of the 50 largest chemical companies in the world and 18 of the 20 largest petroleum refiners in the world.

INDUSTRY BACKGROUND

Companies in the process industries manufacture products such as bulk solids, liquids and gases through operations involving chemical reactions, combustion, mixing, separation, and heating and cooling. The process industries include the chemicals, petrochemicals, petroleum, pharmaceuticals, pulp and paper, electric power, and food and consumer products industries. Based on data provided by industry trade groups, the Company estimates that the aggregate worldwide revenues of the process industries exceed $3 trillion, of which the chemicals industry has revenues that exceed $1 trillion and the petroleum segment has revenues in excess of $500 billion.

In recent years, several factors have dramatically affected the competitiveness and profitability of many sectors of the process industries. Companies in certain process industries, particularly the chemicals industry, have experienced intensified global competition, especially from competitors located close to raw materials sources. In addition, companies in many of the process industries face more stringent environmental and safety regulations. These competitive and regulatory factors, as well as cyclical economic conditions, can have a significant negative effect on the revenues and profits of process manufacturers. Furthermore, while labor-intensive businesses can respond to difficult business conditions by downsizing their workforces, capital-intensive process manufacturers must focus on improving their production processes. Therefore, in order to significantly reduce costs and increase profitability, a process manufacturer must design, manage and operate efficient and cost-effective production processes. In response to competitive, regulatory and economic pressures, companies in the process industries are adopting increasingly sophisticated off-line and on-line tools and methodologies to improve the performance of their facilities.

Chemical engineering analysis is the fundamental discipline behind the improvement of production processes. Due to the number of variables involved, chemical engineering analysis is complex and calculation intensive. Without the use of process modeling and plant automation software, time and cost constraints force engineers to make simplifying assumptions that may limit the potential improvements to production processes. These constraints may also force engineers to evaluate only parts of the process rather than the whole, or to consider fewer alternative solutions. Process modeling and plant automation software enables engineers to perform these complex calculations simultaneously in order to arrive at better solutions quickly.

Sophisticated software tools for off-line use that can accurately model a broad range of processes have been available to chemical engineers since the 1980s. Although early versions of the tools required substantial modeling expertise and were limited in scope and complicated to use, in recent years the availability of affordable, powerful desktop computers and intuitive graphical user interfaces has expanded the market of potential users of process modeling software. Moreover, process modeling software can now reliably model highly complex chemical processes, broadening the scope of projects where its use is applicable. These software tools can generate savings significantly in excess of their cost by enabling users to design manufacturing processes with lower raw material usage, decreased energy and capital equipment costs, improved product quality and operating safety, cost-effective regulatory compliance and enhanced engineering productivity. As a result of this improved availability, functionality and cost-efficiency, many companies that previously relied on internally developed models are adopting software products developed by third parties who are better equipped to maintain and enhance these increasingly complex tools.

The use of off-line technology has been complemented by an increasing demand for on-line applications for several reasons. First, the economic rewards for making even small improvements in plant efficiency and safety can be substantial. Second, the benefits of integrated process modeling, information management, process control and optimization techniques are becoming increasingly understood by customers. Third, while sophisticated tools and expertise have not heretofore been widely available, commercial providers are emerging to address these needs. Recent significant advances in software and hardware technology, including the availability of more sophisticated optimization algorithms and updatable graphical user interfaces, have made on-line applications increasingly feasible for a growing number of process manufacturers.

In recent years, there has been increasing demand for integration of all manufacturing processes from research and development to design, engineering, and process and manufacturing management. Customers are looking to the advantages which integrated on-line and off-line applications can bring to their management of all process manufacturing activities. This is similar to the integration by enterprise resource planning ("ERP") vendors of financial, materials management, production planning, human resource management, sales, and accounting applications. Commercial providers are emerging to offer tools and expertise to further connect this technology layer which consists of integrated design, control and management applications for process manufacturing ("Smart Manufacturing Systems") with the ERP applications and the distributed control systems ("DCS") which control the plants.

As a result of the market dynamics in the process industries and the rapidly evolving technology available to improve manufacturing processes, process manufacturers increasingly seek a complete, integrated family of software and services that can be used to design, operate and manage their production processes more effectively.

THE ASPENTECH ADVANTAGE

The Company believes it is the largest independent supplier of software and service solutions used by companies in the process industries to design, operate and manage their manufacturing processes based on fundamental chemical engineering principles. AspenTech offers its customers in-depth technical expertise encompassing both off-line and on-line applications. By combining its traditional process modeling and optimization capabilities with acquired skills in economic planning and scheduling, IMS and APC, AspenTech has created a complete solution designed to provide several key advantages to customers.

Family of Products Across Full Manufacturing Life-Cycle. AspenTech believes that it offers the most complete family of process modeling and plant automation software tools used across every stage of the production process, from research and development to engineering to production. The Company's software products are designed to achieve improved process efficiency through comparison of off-line predictive models with actual on-line production data and through real-time adjustments to operating parameters in response to constantly changing conditions. The Company has significantly integrated its on-line applications and intends to continue integrating and enhancing both on-line and off-line applications.

Complete Software and Service Solution. Customers increasingly require expert consulting services to take full advantage of the highly complex software tools being designed for the process industries. AspenTech deploys what it believes is the largest independent organization of control engineers to design and implement solutions, in combination with IMS, APC and optimization software products. AspenTech believes its ability to offer its customers a complete solution will be an increasingly important source of competitive differentiation.

Process Industry Expertise. Over the past 16 years, AspenTech has built a reputation as a leader in process modeling expertise. AspenTech's software products incorporate proprietary solution methods, physical property models and data estimation techniques that enable users to model processes that involve complex chemistry. AspenTech has refined these methods, models and techniques based on continuing relationships with customers who have performed millions of simulations using AspenTech software. The Company has expanded its on-line expertise through its acquisitions of ISI, DMCC, Setpoint, Cambridge Control and Bechtel PIMS, and the Company believes it is now the technological leader in the planning and scheduling, IMS, APC and optimization markets. AspenTech believes that the expertise underlying its software products and services will assist it in maintaining and enhancing its reputation as a technological leader across the manufacturing process.

STRATEGY

AspenTech's strategy is to expand the use of its products and services to enable customers to improve the design, operation and management of their manufacturing processes. The key elements of this strategy are:

Leverage Breadth and Depth of Customer Base. AspenTech considers its relationships with its existing customers to be an important corporate asset. AspenTech currently has more than 750 commercial customers worldwide, including 45 of the 50 largest chemical companies in the world and 18 of the 20 largest petroleum refiners in the world. The Company has historically derived a significant component of its revenue from additional sales to existing customers. The Company believes it has a significant opportunity to expand its existing customer relationships by adding new licensed users, by offering additional product modules, and by providing consulting and support services. These solutions are marketed by a single, integrated sales force organized by customer account. AspenTech is capitalizing on the significant opportunities it has created to cross-sell modeling products to traditional APC and optimization customers and vice versa.

Leverage Lead in the Area of Smart Manufacturing Systems. AspenTech believes that it has emerged as the leader in the area of integrated design, control and management applications for process manufacturing ("Smart Manufacturing Systems"). As the benefits of integrated applications across process manufacturing design, control and management functions are more widely understood and appreciated by process manufacturers, AspenTech is expanding its integration efforts, developing relationships with enterprise resource planning ("ERP") vendors and distributed control system ("DCS") vendors, and offering customers complete solutions which link the Smart Manufacturing Systems to the ERP and DCS technology layers.

Increase Penetration of Process Industries. In recent years, AspenTech has broadened its penetration of the process industries beyond its traditional leadership in the chemicals segment to include significant shares of the petroleum and pulp and paper markets. Many of the same imperatives and opportunities confront participants in other process industry segments. As the benefits of its solutions are becoming more widely understood by process manufacturers, AspenTech is actively pursuing opportunities to expand the use of its technology in additional vertical markets. For example, AspenTech's introduction in March 1997 of BatchPlus, a solution for the modeling and simulation of complex, recipe-based pharmaceutical and batch chemical processes, has broadened the Company's historically limited presence in these large and underpenetrated vertical market segments. AspenTech believes the continuous broadening of its software product and service offerings through acquisition and internal development will enable AspenTech to expand its reach further. Over time, AspenTech will also seek to leverage these new customer relationships by cross-selling its other software product and service offerings.

Offer Broadest, Integrated Family of Products and Services. AspenTech offers customers a broad family of software products encompassing the full manufacturing life-cycle, enabling customers to add compatible software capabilities as their needs grow. These products can be used as stand-alone solutions or in concert with other software modules. AspenTech offers process manufacturers what it believes is the most advanced product functionality available across a wide range of off-line and on-line applications. The Company intends to integrate further the APC and optimization tools obtained through its acquisitions into future generations of its software products. In addition, AspenTech provides implementation consulting services to ensure that customers can achieve a successful solution. In certain of AspenTech's projects, functionality developed in connection with a solution has appeared applicable to other customers and has been commercialized by AspenTech, such as BatchPlus, developed in conjunction with Merck & Co.. The Company expects this to continue to be one of its sources of new products and that its ability to offer its customers a complete solution will be an increasingly important source of competitive differentiation. Where acquisition represents the most efficient source of product line extension, AspenTech expects to continue to acquire products and technologies opportunistically, as with its October 1996 purchase of B-JAC International, Inc., a leading supplier of specialized heat exchanger modeling tools.

Extend Technology Leadership. AspenTech intends to extend its reputation as the technology leader and believes its recent acquisitions represent important opportunities to maintain and enhance its differentiating capabilities in the marketplace. AspenTech believes its modeling software solutions include a number of pioneering products and algorithms, and its on-line offerings are technological leaders in real-time applications, engineering and consulting solutions for APC and optimization. AspenTech's reputation for technological leadership continues to be an important source of attraction for scarce, highly talented engineers and technical personnel.

Focus on Long-Term Customer Relationships. AspenTech's operating strategy is driven by a long-term approach to customer relationships. AspenTech historically derives a substantial portion of its revenues from three- to five-year software licenses and renewals of those licenses. Because a significant portion of its revenues come from its installed base, AspenTech focuses on long-term customer relationships in marketing its process modeling and plant automation software products and services. Increasingly, cross-selling opportunities are merging the customer bases of AspenTech's traditional modeling users with those of the recently acquired companies, who traditionally focused exclusively on on-line solutions. AspenTech intends to leverage these relationships to an increasing extent, particularly as the product integrations are completed. This includes alliances which provide for significant customer involvement in product development and testing as well as customer sharing of technology, such as the AspenTech Dow Chemical Co. alliance announced in June 1997.

Capitalize on Emerging On-Line Market. The Company believes that the potential market for on-line applications for process industries, while less mature than the off-line market, may be substantially larger than the potential off-line market. On-line applications complement existing off-line applications and afford recurring incremental savings in day-to-day operations. The Company will seek to continue to develop and expand the market for its IMS, APC and optimization software and services for the emerging on-line market.

Partner with Complementary Process Industry Suppliers. In recent years, shifts toward open technologies, lower-cost and more powerful hardware platforms, and intensifying global business pressures are causing process industry customers to look increasingly at purchasing open, best-of-breed solutions, rather than single-vendor proprietary approaches. In response to this trend, AspenTech has embarked on a strategy to partner with leading technology vendors, such as SAP A.G., Yokagawa Electric Corporation, and Elsag Bailey, Inc. in order to broaden the reach of its marketing organization and to enable its customers to create integrated solutions that best achieve their goals.

CUSTOMERS

AspenTech currently has over 750 commercial customers worldwide, including 45 of the 50 largest chemical companies in the world and 18 of the 20 largest petroleum refiners in the world. The Company derived more than 50% in fiscal 1995, approximately 45% in fiscal 1996, and more than 50% in fiscal 1997 of revenues from customers outside the United States.

CHEMICALS

Air Products & Chemicals, Inc.
BASF AG
The Dow Chemical Company
E.I. du Pont de Nemours & Company, Inc.
Elf Atochem
Hoechst AG
Huls AG
Huntsman Corporation
Lyondell Petrochemical
Mitsubishi Chemical Corporation
Olin Corporation
Rhone-Poulenc Industrialisation
Sasol Industries (Pty.) Ltd.
Shell International Chemie Mij B.V.
Sumitomo Chemical Co. Ltd.
Union Carbide Chemicals and Plastics Company, Inc.

ENGINEERING AND CONSTRUCTION

Bechtel Corporation

Fluor Daniel, Inc.
John Brown Engineers and Constructors B.V.
Lurgi AG
The M.W. Kellogg Company
The Ralph M. Parsons Company
UOP
Zimmer AG

CONSUMER PRODUCTS

The Procter & Gamble Company
3M Company
Unilever Research

ELECTRIC POWER

ABB Stal AB
British Nuclear Fuels plc
Combustion Engineering, Inc.
GEC Alsthom
SGN
Westinghouse Electric Corporation

FOOD PRODUCTS

Cargill Incorporated
General Mills, Inc.

PETROLEUM

Arco Products Company
British Petroleum
Chevron Corporation
Citgo Petroleum Corporation
Conoco Inc.
Corpoven, S.A.
Marathon Oil Company
Mobil Oil Corporation
Neste Oy
Phillips Petroleum Company
Repsol Petroleo SA
Shell Oil Company
Star Enterprise
Sun Refining and Marketing Company

PHARMACEUTICALS

Ciba-Geigy AG
Eli Lilly and Company
Fujisawa Pharmaceutical Co., Ltd.
Genentech, Inc.
Hoffman-LaRoche, Inc.
Kyowa-Hakko Kogyo Co., Ltd.
Merck & Co., Inc.
Sandoz Technologie AG
The Upjohn Company

PULP AND PAPER

Union Camp Corporation
Weyerhaeuser Company

METALS AND MINERALS

Phelps Dodge

No individual customer represented 10% or more of AspenTech's total revenues for fiscal 1995, 1996 or 1997. There can be no assurance that any of the customers listed will continue to license software or purchase services from AspenTech beyond the term of any existing agreement.

PRODUCTS AND SERVICES

AspenTech is a leading supplier of software products and services for the analysis, design and automation of manufacturing facilities by companies in the process industries. AspenTech's integrated family of software products enables customers to predict accurately and reliably the performance of a manufacturing process in order to design, operate and manage manufacturing processes more efficiently, safely and profitably. These tools are used both off-line by engineers on desktop computers in connection with the design of new facilities and processes and the analysis of existing facilities and processes, and on-line connected directly to plant instrumentation to identify adjustments that can be made on a real-time basis to optimize performance continually in response to changing production conditions. In addition, AspenTech can provide expert consulting, training and support services to augment its software expertise and offer a complete solution to its customers.

Products	Description	Category
OFF-LINE SOFTWARE		

ASPEN PLUS(R)	Rigorous steady-state modeling for chemicals, electrolytes, solids, and petroleum assays	Modeling (steady state processes)
SPEEDUP(R)	Rigorous modeling environment for dynamically simulating chemical, hydrocarbon, and petroleum processes	Modeling (dynamic processes)
ADVENT(R)	Simulation tool for designing reduced cost processes for chemical plants and refineries via process/utility heat integration	Modeling (process synthesis)
BATCH PLUS(TM)	Recipe-based simulation engine that can model one batch or a whole plant	Modeling (batch process)
ON-LINE SOFTWARE		
InfoPlus.21(TM)	A hierarchical, real-time, memory-resident configurable database	IMS

DMCplus(TM)	Multivariable predictive constraint process control application	APC
RT-OPT(R)	Real-time closed-loop optimization product	Optimization
Aspen PIMS(TM)	Linear programming product to optimize an economic model of a manufacturing complex	Planning and Scheduling

OFF-LINE SOFTWARE PRODUCTS

The Company offers a number of software products for off-line applications. Off-line software is used primarily to simulate and predict manufacturing processes in connection with the design of new facilities or processes and the analysis of existing facilities or processes. ASPEN PLUS is used to simulate steady state processes in which inputs and conditions are held constant. ASPEN PLUS can be used in concert with SPEEDUP, dynamic process modeling software that simulates processes in which inputs and conditions change over time, such as during plant start-up and shutdown or when feedstocks are adjusted. ADVENT is process synthesis software that minimizes energy consumption and emissions from a manufacturing process. BATCH PLUS is modeling and simulation software for recipe-based pharmaceutical and batch chemical process manufacturing. Layered on top of these core, integrated off-line applications are a number of separately sold modules that focus on specialized types of analysis to model separation systems, batch distillation columns, bioprocess operations, polymers processes, and other complex systems. All of these products can operate in Windows. ASPEN PLUS, SPEEDUP, and ADVENT also run on UNIX and both ASPEN PLUS and SPEEDUP run on DEC VMS. See "Item 1. Product Development" and "Item 1a. Risk Factors - Migation to MicroSoft Windows; Emergence of Other Standards".

AspenTech typically licenses its modeling software for a term of either three or five years. Currently, the annualized cost for a single U.S.-based user of one of AspenTech's off-line software modules ranges from $10,000 to $30,000, depending on the product and the license term. The license fees charged by AspenTech are typically based on the number of licensed users, with the cost per user declining as the number of licensed seats increases. The license fee includes a separate maintenance component that covers upgrades, revisions or enhancements during the term of the license, as well as customer support.

ON-LINE SOFTWARE PRODUCTS

For on-line applications, AspenTech offers a family of products and services that enables customers to better understand and monitor highly complex manufacturing processes on a real-time basis, and to automate the adjustment of operating parameters in response to continually changing conditions for improved process efficiency, safety and cost-effectiveness. AspenTech typically licenses its on-line software for a term of 99 years. AspenTech's IMS products capture, display and analyze plant-wide historical and real-time process data, in order to compare the actual performance to theoretical benchmarks derived from models. The U.S. list price for an entry-level 99-year IMS license is approximately $50,000, and varies depending on the number of points of data being collected. AspenTech's APC and optimization products enable customers to improve the profitability of a manufacturing facility by determining optimal operating parameters and simultaneously adjusting multiple process variables to achieve these targets. The U.S. list price for a 99-year APC or optimization software license for a single process unit or single facility ranges from $50,000 to $200,000.

AspenTech's PIMS products provide economic planning and scheduling tools to customers which are based on large linear programming models. They enable customers to make both short-term and strategic decisions which help identify optimum plant investments. AspenTech typically licenses its PIMS software for a term of five years or 25 years. The U.S. list price for a license of AspenTech's PIMS modules range from $10,000 to $200,000 depending on the product and the license term.

All of these products can operate in Windows. InfoPlus.21, DMCplus, and RT-OPT also run on DEC VMS, and both InfoPlus.21 and RT-OPT operate on a UNIX platform. See "Item 1. Product Development" and "Item 1a. Risk Factors - Migration to Microsoft Windows; Emergence of Other Standards".

CONSULTING SERVICES

AspenTech can combine its on-line off-the-shelf software products with design and implementation consulting services in order to market a complete solution to its customers. The emerging on-line market has fewer commercial modeling tools than the off-line market. As a result, current on-line applications typically consist of substantial consulting services combined with a small component of standard commercial software. These services are customarily provided pursuant to contracts with engagement terms of approximately 9 to 24 months. The contracts may be priced on either a time-and-materials or fixed-price basis. Customers can purchase such services from other vendors or perform them in-house. The Company believes that, due to customers' growing awareness of the economic benefits of on-line optimization and related activities, the demand for services exceeds the number of

trained control engineers that can provide these services. AspenTech's IMS, APC and optimization services business, composed of approximately 330 people, which AspenTech believes is the largest group of control engineers in the world, represents a critical resource in its efforts to penetrate the on-line market. The Company's services personnel are also available to support and maintain its off-line software products.

MARKETING AND SALES

AspenTech employs a direct sales force located in key geographic centers where there are high concentrations of potential business. The Company's sales approach is designed to provide complete solutions to its customers. AspenTech's worldwide sales organization is focused by customer account, with an overall relationship executive responsible for coordinating with regional account managers and sales engineers. In addition, each sales team includes participants from the business development group who are responsible for determining the scope and price of the product or service being offered. AspenTech believes that its seasoned direct sales force, as well as its ability to sell at senior levels within customer organizations, are important competitive distinctions. AspenTech uses sales agents to leverage its direct sales force and provide local coverage and first-line support in areas of lower customer concentration. The Company also supplements its direct sales efforts with a variety of marketing initiatives, including user groups and a triennial conference, AspenWorld.

AspenTech devotes substantial resources to increasing the penetration of its products within existing customers. AspenTech has developed global technology partnerships with a select group of customers that use modeling extensively, whereby they meet on a regular basis with AspenTech's senior technical and managerial staffs to help shape technical direction.

AspenTech licenses its software products at a substantial discount to universities that agree to use such products in teaching and research, in order to stimulate future demand once the students enter the workplace. Currently, more than 520 universities use its software products in undergraduate instruction.

COMPETITION

The Company's software products and services compete with software tools that are internally developed by companies in the process industries and with certain modeling, planning and scheduling, IMS, APC and optimization software products and services that are sold by a number of commercial suppliers. Increasingly, companies in the process industries are recognizing that it is inefficient and uneconomical for them to continue to develop and support this software, and many of them are now deploying commercial software products alongside their internally developed tools.

AspenTech's primary commercial competitors in the process modeling software and services market are Simulation Sciences Inc., Hyprotech, Ltd. (a subsidiary of AEA Technology plc), and Chemstations, Inc. In the planning and scheduling market, the Company competes with Bonner and Moore Associates, Inc. Haverly Systems, Inc. Chesapeake Decision Science, Inc., and Ernst & Young Wright Killen. In the IMS market, AspenTech primarily competes with Oil Systems Inc. and Biles and Associates (which entered into an agreement to be acquired by Simulation Sciences, Inc. in August 1997) and, to a lesser extent, with distributed control system vendors such as Honeywell Inc. In the APC and optimization markets, AspenTech competes with the Industrial Automation and Control business unit of Honeywell Inc., which primarily sells distributed control system hardware, as well as with Pavilion Technologies, Inc. and the Simcon division of ABB Asea Brown Boveri (Holding) Ltd. Several smaller competitors, including Treiber Control, focus exclusively on the APC market. Emergence of a new competitor or the consolidation of existing competitors could adversely affect the Company's business, operating results and financial condition. Certain competitors also supply related hardware products to existing and potential customers of AspenTech, and may have established relationships that afford the competitors an advantage in supplying software and services to those customers.

AspenTech believes that it competes favorably by offering the broadest range of integrated off-line and on-line modeling software and services, and that its size, technology and industry expertise will continue to provide it with a marketplace advantage over companies that are niche suppliers focused on a single element of the solution or companies that primarily sell hardware. The Company's continued success depends on its ability to compete effectively with its commercial competitors and to persuade prospective customers to use the Company's products and services instead of, or in addition to, software developed internally or services provided by their own personnel. In light of these factors, there is no assurance that the Company will be able to maintain its competitive position. See "Item 1a. Risk Factors -- Competition."

PRODUCT DEVELOPMENT

AspenTech's most important product development objective is to build upon the technical leadership of its software products both individually and as an integrated solution. Product development activities focus on adding new chemical engineering analysis and plant operations capabilities, developing new ease-of-use features and enhancing the user interface, taking advantage of new hardware capabilities and major new software industry developments, more tightly integrating AspenTech's family of software products and integrating those software products with other tools. AspenTech has focused significant efforts on the development of Windows 95 and Windows NT versions of all of its software products and continues to focus on the continued integration of its family of software products, including products acquired through past acquisitions.

AspenTech's approach to Windows is based on a client-server architecture. AspenTech is developing Windows 95 and Windows NT clients for all of its core software products not already Windows 95 or Windows NT compatible, with simulation and database servers running on Windows NT, UNIX and DEC VMS. The objective of the Windows development is to capitalize on Windows interoperability and customization capabilities, as well as to provide highly intuitive graphical user interfaces. A native Windows development environment is used to ensure full support of all Windows features and object linking and embedding (OLE) architecture. See "Item 1a. Risk Factors -- Migration to Microsoft Windows; Emergence of Other Standards."

AspenTech has integrated overlapping products in each business area by combining the best components from these products under a Windows graphical user interface. AspenTech is continuing to work on the development of an open, distributed object component architecture for all AspenTech products, with the products sharing common components and allowing incorporation of customer or third-party components. A central Software Engineering and Architecture department has facilitated and coordinated component development.

AspenTech continues to invest in maintaining its technology leadership through development and enhancement of existing products and development of new products. The Company has successfully integrated closely related products such as ASPEN PLUS and SPEEDUP, as well as products from different divisions such as DMCplus and InfoPlus.21. Release 10 of ASPEN PLUS, which includes Windows NT capability, is scheduled for release by the end of the first calendar quarter of 1998 to be followed by Release 11, an equation-oriented version of ASPEN PLUS, which does not yet have a scheduled release date. In addition, the Company has completed integration of RT-OPT with [DMO], AspenTech's dynamic matrix optimization software acquired with the acquisition DMCC. The Company is also focusing certain resources on the production of a complete, integrated solution between certain enterprise resource planning ("ERP") products such as SAP's R/3 and distributed control systems. Finally, the Company has also established a year 2000 compliance program to test and, if necessary, modify software to enable it to handle the date change on and after the year 2000. There can be no assurance that AspenTech will be successful in enhancing and integrating these software products or that it will release scheduled releases on time or that a full integrated product offering will result in the benefits anticipated. See "Item 1a. Risk Factors - Product Development and Technological Change" and "Migration to Microsoft Windows; Emergence of Other Standards."

PROPRIETARY RIGHTS

The Company regards its software as proprietary and relies on a combination of copyright, patent, trademark and trade secret laws, license and confidentiality agreements, and software security measures to protect its proprietary rights. AspenTech has United States patents for the expert guidance system in its proprietary graphical user interface, simulation and optimization methods in its optimization software, a process flow diagram generator in its planning and scheduling software, and a process simulation apparatus in its polymers software. The Company has registered or applied to register certain of its significant trademarks in the United States and in certain other countries.

The Company generally enters into non-disclosure agreements with its employees and customers, and historically has restricted access to its software products' source codes, which it regards as proprietary information. In a few cases, the Company has provided copies of the source code for certain products to customers solely for the purpose of special customization of the products and has deposited copies of the source code for certain products in third-party escrow accounts as security for on-going service and license obligations. In these cases, the Company relies on nondisclosure and other contractual provisions to protect its proprietary rights.

AspenTech distributes its products under non-exclusive and typically nontransferable license agreements that grant customers the right to use AspenTech's products, typically for a term of either three or five years in the case of modeling software products, five and twenty-five years for planning and scheduling software, or for a term of 99 years in the case of IMS, APC and optimization software products. The license agreements contain various provisions that protect AspenTech's ownership of the products and the confidentiality of the underlying technology.

The laws of certain countries in which the Company's products are distributed do not protect the Company's products and intellectual property rights to the same extent as the laws of the United States. The laws of many countries in which the Company licenses its products protect trademarks solely on the basis of registration. The Company currently possesses a limited number of trademark registrations in certain foreign jurisdictions and does not possess, and has not applied for, any foreign copyright or patent registrations. The Company derived more than 50% in fiscal 1995, approximately 45% in fiscal 1996, and more than 50% in fiscal 1997 of its total revenues from customers outside the United States.

There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate to deter misappropriation of its technology or independent development by others of technologies that are substantially equivalent or superior to the Company's technology. Any such misappropriation of the Company's technology or development of competitive technologies could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company

could incur substantial costs in protecting and enforcing its intellectual property rights. Moreover, from time to time third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to the Company. In such an event, the Company may be required to incur significant costs in litigating a resolution to the asserted claims. There can be no assurance that such a resolution would not require that the Company pay damages or obtain a license of a third party's proprietary rights in order to continue licensing its products as currently offered or, if such a license is required, that it will be available on terms acceptable to the Company.

AspenTech believes that, due to the rapid pace of innovation within the industry, factors such as the technological and creative expertise of its personnel, the quality of its products, the quality of its technical support and training courses, and the frequency of software product enhancements are more important to establishing and maintaining a technology leadership position within the industry than the various legal protections for its software products and technology. See "Item 1a. Risk Factors- Dependence on Proprietary Technology."

EMPLOYEES

As of June 30, 1997, AspenTech had a total of 1,239 full-time employees. None of AspenTech's employees is represented by a labor union. AspenTech has experienced no work stoppages and believes that its employee relations are good.

While the Company has substantially expanded the breadth and depth of its management team in recent years, AspenTech's future success depends to a significant extent on the continued service of Lawrence B. Evans, the Company's chief executive officer, its other executive officers and certain technical, managerial and marketing personnel. The Company believes that its future success will also depend on its continuing ability to attract and retain highly skilled technical, managerial and marketing personnel. Competition for such personnel is intense and there can be no assurance that AspenTech can retain its key employees or that it can attract, assimilate or retain other highly qualified technical and commercial personnel in the future. To date, six of the original eight founders of AspenTech are still employed by AspenTech and are active in its management. See "Item 1a. Risk Factors - Dependence on Key Personnel".

ITEM 1A. RISK FACTORS

Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company's actual results could differ materially from the results contemplated in the forward-looking statements as a result of a number of factors, including the risk factors set forth below.

Dependence Upon Increased Market Penetration. Increased use in the process industries, particularly the chemicals and petroleum industries, of software and services for the analysis, design and automation of process manufacturing plants in general and of the Company's software products and services in particular is critical to the Company's future growth. The Company believes that a number of factors will determine its ability to achieve increased market penetration. These factors include product performance, accuracy of results, ease of implementation and use, breadth and integration of product offerings, reliability and scope of applications. Failure of the Company to achieve increased market penetration in the process industries would substantially restrict the future growth of the Company and could have a material adverse effect on the Company's business, operating results and financial condition. See "Item 1. Business -- The AspenTech Advantage" and "--Strategy."

Fluctuations in Quarterly Operating Results. The Company's operating results have fluctuated in the past and may fluctuate significantly in the future as a result of a variety of factors, including purchasing patterns, timing of new products and enhancements by the Company and its competitors, and fluctuating foreign economic conditions. In addition, the Company ships software products within a short period after receipt of an order and typically does not have a material backlog of unfilled orders of software products. Therefore, revenues from software licenses in any quarter are substantially dependent on orders booked in that quarter. Historically, a majority of each quarter's revenues from software licenses has come from license contracts that have been effected in the final weeks of that quarter. The revenues for a quarter typically include a number of large orders. If the timing of any of these orders is delayed, it could result in a substantial reduction in revenues for that quarter. Since the Company's expense levels are based in part on its expectations as to future revenues, the Company may be unable to adjust spending in a timely manner to compensate for any revenue shortfall and any revenue shortfalls would likely have a disproportionate adverse effect on net income. Prior to fiscal 1996, the Company experienced a net loss for the first quarter of each fiscal year, in part because a substantial portion of the Company's revenues is derived from countries other than the United States where business is slow during the summer months and also in part because of the timing of renewals of software licenses. The Company expects that these factors will continue to affect its operating results and that the Company may experience net losses in the initial quarter of future fiscal years. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Quarterly Results."

Concentration of Revenues in the Chemicals and Petroleum Industries. The Company derives a significant portion of its revenues from companies in the chemicals and petroleum industries. Accordingly, the Company's future success is dependent upon the continued demand for modeling software by companies in the chemicals industry and for planning and scheduling, IMS, APC and optimization software and services by companies in the chemical and petroleum industries. The chemical and petroleum industries are highly cyclical. The Company believes that economic downturns in the United States, Europe, Japan, Asia and South America and pricing pressures experienced by chemical and petroleum companies in connection with cost-containment measures have led to delays and reductions in certain capital and operating expenditures by many of such companies worldwide. The Company's revenues have in the past been, and may in the future be, subject to substantial period-to-period fluctuations as a consequence of such industry patterns, as well as general domestic and foreign economic conditions and other factors affecting spending by companies in the Company's target process industries. There can be no assurance that such factors will not have a material adverse effect on the Company's business, operating results and financial condition. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations."

Product Development and Technological Change. The market for software and services for the analysis, design and automation of process manufacturing plants is characterized by continual change and improvement in computer hardware and software technology. The Company's future success will depend on its ability to enhance its current software products and services, to introduce new software products and services that keep pace with technological developments, and to continue to address the changing needs of its customers. There can be no assurance that the Company will be successful in developing and marketing new and enhanced products and services, or that its products and services will continue to address adequately the needs of the marketplace. Like many other software products, the Company's products have on occasion contained undetected errors or "bugs." In addition, because new releases of the Company's products are initially installed only by a small number of customers, any errors or "bugs" in those new releases may not be detected for a number of months after the delivery of the software. If the Company's products do not perform substantially as expected or are not accepted in the marketplace, the Company's business, operating results and financial condition would be materially adversely affected. See "Item 1. Business -- Product Development."

Dependence on Key Personnel. The Company's future success depends to a significant extent on Lawrence B. Evans, the Company's chief executive officer, its other executive officers, and certain key technical, managerial and marketing personnel. The loss of the services of any of these individuals or groups of individuals could have a material adverse effect on the Company's business, operating results and financial condition. None of the Company's executive officers has entered into an employment agreement with the Company, and the Company does not have, and is not contemplating securing, any significant amount of key-man life insurance on any of its executive officers or other key employees. The Company believes that its future success also will depend significantly upon its ability to attract, motivate and retain additional highly skilled technical, managerial and marketing personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be successful in attracting and retaining the personnel it requires to continue to grow and operate profitably. See "Item 1. Business -- Employees."

Product Liability. The sale and implementation of on-line applications by the Company may entail the risk of product liability claims. The Company's APC and optimization software products and services are used in the design, operation and management of manufacturing processes at large facilities, and any failure by the software at those facilities could result in significant claims for damages or for violations of environmental, safety and other laws and regulations. The Company's agreements with its customers generally contain provisions designed to limit the Company's exposure to potential product liability claims. It is possible, however, that the limitation of liability provisions contained in the Company's license agreements may not be effective as a result of federal, state or local laws or ordinances or unfavorable judicial decisions. A successful product liability claim against the Company could have a material adverse effect upon the Company's business, operating results and financial condition.

Migration to Microsoft Windows; Emergence of Other Standards. AspenTech believes that operating systems such as to Microsoft Windows, due to their interoperability and customization capabilities, are increasingly the preferred choice of certain of its customers. AspenTech has developed Windows 95 versions of its software products and Windows NT versions of most of its core products. It has developed a Windows NT version of ASPEN PLUS which is in test stages and is developing a Windows NT version of RT-OPT. There can be no assurance of customer acceptance of Windows versions of all products, or that they will be competitive with offerings form the Company's competition. Although the Company does not believe that there are currently other operating platforms which are in demand by customers, there can be no assurance that customers will not migrate to or require compatibility with other systems such as Java(TM). The Company is also aware of customer concerns that its products be able to handle the date change on and after the year 2000 and has established a compliance program to test and, if necessary, modify new versions of its products. Any such failure or delay in developing and releasing new operating systems versions or testing and/or modifying its software to be year 2000 compliant could affect the Company's competitive position or lead to product obsolescence in the future. See "Item 1. Business -- Product Development" and "-- Competition."

Dependence on Proprietary Technology. The Company regards its software as proprietary and relies on a combination of copyright, patent, trademark and trade secret laws, license and confidentiality agreements, and software security measures to protect its proprietary rights. AspenTech has United States patents for the expert guidance system in its proprietary graphical user interface, simulation and optimization methods in its optimization software, a process flow diagram generator in its planning and scheduling software, and a process simulation apparatus in its polymers software. The Company has registered or applied to register certain of its significant trademarks in the United States and certain other countries. The Company generally enters into non-disclosure agreements with its employees and customers, and historically has restricted access to its software products' source codes, which it regards as proprietary information. In a few cases, the Company has provided copies of the source code for certain products to customers solely for the purpose of special customization of the products and has deposited copies of the source code for certain products in third-party escrow accounts as security for on-going service and license obligations. In these cases, the Company relies on nondisclosure and other contractual provisions to protect its proprietary rights.

The laws of certain countries in which the Company's products are distributed do not protect the Company's products and intellectual property rights to the same extent as the laws of the United States. The laws of many countries in which the Company licenses its products protect trademarks solely on the basis of registration. The Company currently possesses a limited number of trademark registrations in certain foreign jurisdictions and does not possess any foreign copyright or patent registrations. The Company derived more than 50% in fiscal 1995, approximately 45% in fiscal 1996, and more than 50% in fiscal 1997 of its revenues from customers outside the United States.

There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate to deter misappropriation of its technology or independent development by others of technologies that are substantially equivalent or superior to the Company's technology. Any such misappropriation of the Company's technology or development of competitive technologies could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company could incur substantial costs in protecting and enforcing its intellectual property rights. Moreover, from time to time third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to the Company. In such an event, the Company may be required to incur significant costs in litigating a resolution to the asserted claims. There can be no assurance that such a resolution would not require that the Company pay damages or obtain a license of a third party's proprietary rights in order to continue licensing its products as currently offered or, if such a license is required, that it will be available on terms acceptable to the Company. See "Item 1. Business -- Proprietary Rights."

Competition. The Company's software products compete with software tools that are internally developed by companies in the process industries and with certain process modeling, planning and scheduling, IMS, APC and optimization software products that are sold by a number of commercial suppliers. AspenTech's primary commercial competitors in the process modeling software market are Simulation Sciences, Inc., Hyprotech, Ltd. (a subsidiary of AEA Technology plc) and Chemstations, Inc. In the planning and scheduling market, the Company competes with Bonner and Moore Associates, Inc., Haverly Systems, Inc., Chesapeake Decision Science, Inc., and Ernst & Young Wright Killen. In the IMS market, AspenTech primarily competes with Oil Systems Inc. and Biles and Associates (which entered into an agreement to be acquired by Simulation Sciences, Inc. in August 1997.) and, to a lesser extent, with distributed control system vendors such as Honeywell Inc. In the APC and optimization markets, AspenTech competes with the Industrial Automation and Control business unit of Honeywell Inc., which primarily sell distributed control system hardware, as well as with Pavilion Technologies, Inc. and the Simcon division of ABB Asea Brown Boveri (Holding) Ltd. Several smaller competitors, including Treiber Control, focus exclusively on the APC market. There has also been a number of acquisitions and consolidations which expand the breadth of product and service offerings by certain of these competitors including the acquisition of both Interplant Consulting, Inc., a provider of real-time database applications, and Measurex Corporation, a provider of control systems in the pulp and paper industry, by Honeywell, Inc.; Hyprotech, Ltd. by AEA Technologies plc; and Visual Solutions, Inc., a provider of simulation software and services, the on-line technology division of Raytheon Engineers Contractors, Inc. and Biles & Associates, a provider of information management and control solutions, by Simulation Sciences, Inc. Emergence of a new competitor or the consolidation of existing competitors could adversely affect the Company's business, operating results and financial condition. Certain competitors also supply related hardware products to existing and potential customers of AspenTech, and may have established relationships that afford the competitors an advantage in supplying software and services to those customers. The Company's continued success depends on its ability to compete effectively with its commercial competitors and to persuade prospective customers to use the Company's products and services instead of, or in addition to, software developed internally or services provided by their own personnel. In light of these factors, there is no assurance that the Company will be able to maintain its competitive position. See "Item 1. Business -- Competition."

Management of Growth. Since fiscal 1990, the Company has experienced substantial growth in the number of its employees, the scope of its operating and financial systems, and the geographic area of its operations. The Company's operations have expanded significantly through both internally generated growth and acquisitions, particularly the acquisitions of DMCC and Setpoint in the third quarter of fiscal 1996. This growth has resulted in an increase in the level of responsibility for management personnel. To manage its growth effectively, the Company must continue to implement and improve its operating and financial systems, and to retain and increase its employee base. There can be no assurance that the management systems currently in place will be adequate or that the Company will be able to manage the Company's recent or future growth successfully, and any failure to do so could have material adverse effect on the Company's business, operating results and financial condition. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations."

International Operations. The Company derived more than 50% in fiscal 1995, approximately 45% in fiscal 1996, and more than 50% in fiscal 1997 of its revenues from customers outside the United States. The Company anticipates that revenues from customers outside the United States will continue to account for a significant portion of its total revenues in the foreseeable future. The Company's operations outside the United States are subject to certain risks, including unexpected changes in regulatory requirements, exchange rates, tariffs and other barriers, political and economic instability, difficulties in managing distributors or representatives, difficulties in staffing and managing foreign subsidiary operations, difficulties or delays in translating products and product documentation into foreign languages, and potentially adverse tax consequences. There can be no assurance that any of these factors will not have a material adverse effect on the Company's business, operating results and financial condition.

The impact of future exchange rate fluctuations on the Company's financial condition and results of operations cannot be accurately predicted. In recent years, the Company has increased the extent to which it denominates arrangements with customers outside the United States in the currencies of the country in which the software or services are provided. From time to time the Company has engaged in, and may continue to engage in, hedges of a significant portion of installment contracts denominated in foreign currencies. There can be no assurance that any hedging policies implemented by the Company will be successful or that the cost of such hedging techniques will not have a significant impact on the Company's business, results of operations or financial condition. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risks Associated With Future Acquisitions. To expand its markets, the Company's business strategy includes growth through additional acquisitions. Identifying and pursuing acquisition opportunities and integrating acquired products and businesses requires a significant amount of management time and skill. There can be no assurance that the Company will be able to identify suitable acquisition candidates, consummate any acquisition on acceptable terms or successfully integrate any acquired business into the Company's operations. There also can be no assurance that any future acquisition will not have an adverse effect upon the Company's operating results, particularly in the fiscal quarters immediately following consummation of the acquisition while the acquired business is being integrated into the Company's operations. As a result of acquisitions, the Company may encounter unexpected liabilities and contingencies associated with the acquired businesses. The Company may use Common Stock or Preferred Stock or may incur additional long-term indebtedness or a combination thereof for all or a portion of the consideration to be paid in future acquisitions. The issuance of Common Stock or Preferred Stock in acquisitions could result in dilution to existing stockholders, while the use of cash reserves or significant debt financing to fund acquisitions could reduce the Company's liquidity.

Potential Volatility of Stock Price. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the high technology sector, and those fluctuations have often been unrelated to the operating performance of particular companies. In addition, factors such as announcements of technological innovations or new products by the Company or its competitors, as well as market conditions in the computer software or hardware industries, may have a significant impact on the market price of the Company's Common Stock.

Effect of Certain Charter and By-Law Provisions and Anti-Takeover Provisions; Possible Issuances of Preferred Stock. The Company's Restated Articles of Organization, its by-laws and certain Massachusetts laws contain provisions that may discourage acquisition bids for the Company and that may reduce the temporary fluctuations in the trading price of the Company's Common Stock which are caused by accumulations of stock, thereby depriving stockholders of certain opportunities to sell their stock at temporarily higher prices or receive a premium for their shares as part of an acquisition of the Company. Preferred Stock may be issued by the Company in the future without stockholder approval and upon such terms as the Board of Directors may determine. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of the outstanding stock of the Company. The Company has no present plans to issue any shares of Preferred Stock.

ITEM 2. PROPERTIES

AspenTech's principal offices occupy the entire building (approximately 110,000 square feet) of office space in Cambridge, Massachusetts, where its principal offices are located. AspenTech's lease of the premises of its principal offices expires on September 30, 2002. In addition, AspenTech and its subsidiaries lease office space in Midlothian, Virginia, Brecksville and Cincinnati, Ohio; Houston, Texas; Bothell, Washington; Brussels, Belgium; Calgary, Alberta, Canada; Cambridge and Warrington, England; Hong Kong; Tokyo, Japan; Best, The Netherlands; Singapore; and other locations of its sales and customer support offices. AspenTech believes that its existing facilities are adequate for its needs currently and for the reasonably foreseeable future and that, if additional space is needed, such space will be available on acceptable terms.

ITEM 3. LEGAL PROCEEDINGS

AspenTech is not a party to any material litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers and directors of the Company, and their ages as of September 26, 1997, are as follows:

NAME	AGE	POSITION
Lawrence B. Evans.....	62	Chairman of the Board of Directors and Chief Executive Officer
Joseph F. Boston......	60	President and Director
Gresham T. Brebach, Jr. (2)	56	Director
Douglas R. Brown(2)	43	Director
Joan C. McArdle(1)(2)	45	Director
Alison Ross(1)........	37	Director
David L. McQuillin	40	Executive Vice President, Worldwide Sales & Marketing
Mary A. Palermo.......	40	Executive Vice President, Finance and Chief Financial Officer
Joel B. Rosen.........	39	Executive Vice President
John Ayala	42	Senior Vice President
Herbert I. Britt......	52	Senior Vice President, and Chief Technical Officer
Michael Catt..........	45	Senior Vice President
John Derbyshire.......	46	Senior Vice President
Vladimir Mahalec......	50	Senior Vice President
David Mushin..........	41	Senior Vice President
Stephen J. Doyle......	44	Vice President, General Counsel and Chief Legal Officer
Lisa Zappala..........	37	Treasurer

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(1) Member of Audit Committee of the Board of Directors
(2) Member of Compensation Committee of the Board of Directors

Lawrence B. Evans, the principal founder of the Company, has served as Chairman of the Board of Directors and Chief Executive Officer of the Company since 1984. He also served as Treasurer of the Company from 1984 through February 1995 and as President from the inception of the Company until 1984. Mr. Evans was a Professor of Chemical Engineering at Massachusetts Institute of Technology ("M.I.T.") from 1962 to 1990 and was the principal investigator for the Advanced System for Process Engineering ("ASPEN") Project at M.I.T., which extended from 1976 to 1981. Mr. Evans holds a B.S. in Chemical Engineering from the University of Oklahoma, and an M.S.E. and Ph.D. in Chemical Engineering from the University of Michigan.

Joseph F. Boston, a founder of the Company, has served as President of the Company since 1984 and as a director since 1981. Mr. Boston served as both the Principal Engineer and as an Associate Project Manager from 1977 to 1981 of the ASPEN Project at M.I.T. Mr. Boston holds a B.S. in Chemical Engineering from Washington University, and a Ph.D. in Chemical Engineering from Tulane University.

Gresham T. Brebach, Jr. has served as a director of the Company since August 1995. Since February 1997, Mr. Brebach has been President and Chief Executive Office of Nextera Enterprises, L.L.C., a Lexington, Massachusetts based consulting company. Between January 1995 and February 1997, Mr. Brebach was Executive Vice President -- Client Services of Renaissance Solutions, Inc., a provider of management consulting and client/server systems integration services. From August 1994 to December 1994, Mr. Brebach operated his own consulting firm, Brebach and Associates. From April 1993 to August 1994, Mr. Brebach served as Executive Vice President of Digital Consulting, the management consulting division of Digital Equipment Corporation. From December 1989 to April 1993, Mr. Brebach was a Director in the Consumer and Industrial Products sector of McKinsey & Company, a management consulting firm.

Douglas R. Brown has served as a director of the Company since 1986. Mr. Brown was appointed the President, Chief Executive Officer and Director of Advent International Corporation, a venture capital investment firm, in January 1996. Mr. Brown previously served as Chief Investment Officer of Advent International Corporation since 1994, as well as Senior Vice President and Managing Director -- Europe since 1990. Mr. Brown holds a B.S. in Chemical Engineering from M.I.T. and an M.B.A. from the Harvard Graduate School of Business Administration.

Joan C. McArdle has served as a director of the Company since July 1994. Since 1985 she has been a Vice President of MCRC, a Boston-based investment company that was a creditor and warrant holder of the Company. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources." Ms. McArdle holds an A.B. in English from Smith College.

Alison Ross has been a director of the Company since February 1996. Ms. Ross is the President of Smart Finance & Co., an investment banking consulting firm she founded in January 1995. As described below, Smart Finance & Co. provides advisory services to the Company from time to time. From September 1992 to January 1995, Ms. Ross was a Principal of Montgomery Securities. From September 1991 through August 1992, Ms. Ross served as Special Assistant to the Secretary of the Cabinet in the Executive Office of the President of the United States, as part of a one-year appointment as a White House Fellow. From 1986 to August 1991, she was a Vice President of Goldman, Sachs & Co. Ms. Ross holds an S.B. in Economics and an S.M. in Management from M.I.T.

David L. McQuillin has served as Executive Vice President, Worldwide Sales & Marketing since June 1997. Prior to joining the Company, Mr. McQuillin held several positions at Honeywell, Inc. Mr. McQuillin holds a B.S., in Applied Science from Miami University.

Mary A. Palermo has served as Chief Financial Officer since May 1989. She joined the Company in November 1987 as Director of Finance, and was promoted to Vice President in May 1989, to Senior Vice President, Finance in June 1993 and to Executive Vice President, Finance in December 1995. From 1979 to 1982, Ms. Palermo held several positions at Arthur Andersen LLP. Ms. Palermo holds a B.S. in Accounting from Boston College and is a C.P.A.

Joel B. Rosen has served as Executive Vice President, since December 1995. He joined the Company as Director of Marketing in August 1988, and was promoted to Vice President, Marketing in April 1991, to Senior Vice President, Marketing in June 1993 and to Senior Vice President, Marketing and New Businesses in July 1994. From 1984 to 1988, Mr. Rosen held several positions at Bain & Company. Mr. Rosen holds an A.B. in Economics from Harvard College and an M.B.A. from the Harvard Graduate School of Business Administration.

John S. Ayala has served as Senior Vice President of the Company and President, Advanced Control and Optimization Division since May 1997. Prior to its merger with AspenTech in 1996, he served as Vice President, Optimization of Dynamic Matrix Control Corporation. From 1987 to 1996, he served as Senior Vice President of Optimization. Mr. Ayala holds B.S. and M.S. degrees in Chemical Engineering from M.I.T.

Herbert I. Britt, a founder of the Company, has served as Senior Vice President, Corporate Product Planning and Development since January 1996 and Chief Technical Officer since April 1997. Since the Company's inception Mr. Britt has led its product development efforts in various capacities. From 1981 to March 1991, he served as Vice President, Product Development, and from April 1991 to January 1996, he served as Senior Vice President, Product Management. From 1977 to 1981, he was an Associate Project Manager for the ASPEN Project at M.I.T. Mr. Britt holds a B.S. and Ph.D. in Chemical Engineering from the University of Missouri.

Michael L. Catt has served as Senior Vice President, Production Management Division since 1996. Prior to its merger with AspenTech, 1996, he served as Vice President, Sales and Marketing of Setpoint, Inc. Mr. Catt holds a B.S. in Chemical Engineering from Perdue University.

John Derbyshire has served as Senior Vice President, since January 1996. Prior to its merger with AspenTech, he served as Vice President and General Manager of Software Products Division of Setpoint, Inc. Mr. Derbyshire holds a B.S. in Chemical Engineering from University of Salford, United Kingdom.

Vladimir Mahalec has served as Senior Vice President, since January 1996. He joined the Company in October 1991 as Vice President and was promoted to Vice President and General Manager of Optimization in 1994. Mr. Mahalec has his dipl.Ing from the University of Zagreb Croatia and obtained a Ph.D. from the University of Houston under a Fullbright Scholarship program.

David Mushin has served as Senior Vice President and General Manager, Information Management Division since January 1996. From 1991 to 1996, Mr. Mushin served as Vice President and General Manager of Plant Operations. Prior to its merger with AspenTech in 1991, he served as General Manager of Prosys Technology. Mr. Mushin holds a Masters in Chemical Engineering from the University of Cambridge, England.

Stephen J. Doyle has served as Vice President, General Counsel and Chief Legal Officer since September 1996. Prior to joining the Company, Mr. Doyle was a partner in Mirick, O'Connell, DeMallie & Lougee concentrating in technology and international business law from 1994 to 1996. From 1986 to 1994, Mr. Doyle was International Counsel to Prime Computer (renamed Computervision Corporation) and from 1981 to 1985 was International Attorney for the Bank of Boston. From 1978 to 1981, Mr. Doyle was an attorney in private practice. Mr. Doyle holds a B.A. from Georgetown University and J.D. and M.B.A. degrees from the University of Denver.

Lisa Zappala has served as Treasurer since 1985. She joined the company in January 1993 as Director of Financial Operations and was promoted to Treasurer in 1985. From 1981 to 1993, Ms. Zappala held several positions at Arthur Andersen LLP. Ms. Zappala holds a B.S. in Accounting from Boston College and is a C.P.A.

The Company's Board of Directors is divided into three classes, with one class of directors elected each year at the annual meeting of stockholders for a three-year term of office. All directors of one class hold their positions until the annual meeting of stockholders at which the terms of the directors in such class expire and until their respective successors are elected and qualified. Mr. Evans and Ms. McArdle serve in the class whose terms expire in 1997; and Mr. Boston and Mr. Brebach serve in the class whose terms expire in 1998. Mr. Brown and Ms. Ross serve in the class whose terms expires in 1999. Executive officers of the Company are elected annually by the Board of Directors and serve at the discretion of the Board of Directors or until their successors are duly elected and qualified.

The Company's future success depends to a significant extent on Lawrence B. Evans, the Company's chief executive officer, its other executive officers and certain technical, managerial and marketing personnel. The loss of the services of any of these individuals or group of individuals could have a material adverse effect on the Company's business, operating results and financial condition. See "Item 1a. Risk Factors - Dependence on Key Personnel."

Directors who are not full-time employees of the Company receive an annual fee of $15,000 for their services, plus $1,500 for each regularly scheduled meeting attended. Directors also participate in the 1995 Directors Stock Option Plan.

The Company has adopted its 1995 Employees Stock Purchase Plan (the "Stock Purchase Plan"), its 1995 Stock Option Plan (the "1995 Plan"), 1995 Directors Stock Option Plan (the "1995 Directors Plan") and 1996 Special Stock Option Plan ("1996 Special Plan") which provided for the issuance of incentive stock options and non-qualified options and its 401(k) Plan (the "401(k) Plan"). See Notes 9(c), (d) and (e) and Note 14 of Notes to Consolidated Financial Statements.

The Board of Directors has appointed an Audit Committee and a Compensation Committee. The Audit Committee reviews the scope and results of the annual audit of the Company's consolidated financial statements conducted by the Company's independent accountants, the scope of other services provided by the Company's independent accountants, proposed changes in the Company's financial and accounting standards and principles, and the Company's policies and procedures with respect to its internal accounting, auditing and financial controls. The Audit Committee also makes recommendations to the Board of Directors on the engagement of the independent accountants, as well as other matters which may come before it or as directed by the Board of Directors. The Compensation Committee administers the Company's compensation programs, including the Stock Purchase Plan, the 1995 Plan, the 1995 Directors Plan, the 1996 Special Plan and the 401(k) Plan, and performs such other duties as may from time to time be determined by the Board of Directors.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF COMMON STOCK

Since October 26, 1994, the Company's Common Stock has traded on the Nasdaq National Market under the symbol "AZPN." The following table sets forth, for the periods indicated, the high and low sale prices per share of the Common Stock as reported on the Nasdaq National Market.

FISCAL 1996	HIGH	LOW
First Quarter	$15.00	$11.75
Second Quarter	18.50	12.375
Third Quarter	21.50	15.75
Fourth Quarter	28.625	21.125

FISCAL 1997	HIGH	LOW
First Quarter	$36.375	$20.00
Second Quarter	42.50	29.625
Third Quarter	41.00	25.75
Fourth Quarter	39.625	24.75

As of June 30, 1997, there were 826 holders of record of the Common Stock. The Company has never declared or paid cash dividends on its capital stock.

The Company currently intends to retain all of its earnings, if any, for use in its business and does not anticipate paying any cash dividends in the foreseeable future. In addition, under the terms of the Company's bank line of credit, the Company is prohibited from paying any cash dividends. Any future determination relating to dividend policy will be made at the discretion of the Board of Directors of the Company and will depend on a number of factors, including the future earnings, capital requirements, financial condition and future prospects of the Company and such other factors as the Board of Directors may deem relevant.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated balance sheet data as of June 30, 1996 and 1997 and the selected consolidated statement of income data for each of the years ended June 30, 1995, 1996 and 1997 have been derived from the Company's Consolidated Financial Statements, which have been audited by Arthur Andersen LLP, independent public accountants, included elsewhere in this Form 10-K. The selected consolidated balance sheet data as of June 30, 1993, 1994 and 1995 and the selected consolidated statement of income data for the year ended June 30, 1993 have been derived from the Company's Consolidated Financial Statements, which also have been audited by Arthur Andersen LLP, not included in this Form 10-K. The following selected consolidated financial data are qualified by reference to the more detailed Consolidated Financial Statements of the Company and Notes thereto included elsewhere in this Form 10-K, and should be read in conjunction with such Consolidated Financial Statements and Notes and the discussion under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED JUNE 30,				
	1993	1994	1995	1996	1997
	(In thousands, except per share data)				
STATEMENT OF INCOME DATA:					
Revenues	$ 33,867	$ 44,975	$ 57,498	$ 103,609	$ 180,299
Cost of revenues	8,918	9,641	10,257	26,425	53,240
Selling and marketing	11,744	18,095	23,233	34,691	53,517
Research and development	7,268	8,159	11,375	20,208	31,153
General and administrative	4,529	4,460	5,132	9,565	15,933
Charge for in-process research and development	--	--	--	24,421	8,664
Costs related to acquisition	--	--	950	--	--
	32,459	40,355	50,947	115,310	162,507
Income (loss) from operations	1,408	4,620	6,551	(11,701)	17,792
Foreign currency exchange gain (loss)	47	(56)	34	(223)	(236)
Income (loss) on equity in joint ventures	--	(39)	22	10	26
Interest income	2,012	1,789	3,095	3,666	5,323
Interest expense	(532)	(529)	(561)	(1,323)	(151)
Income (loss) from continuing operations before provision for income taxes	2,935	5,785	9,141	(9,571)	22,754
Provision for income taxes	1,081	2,087	3,725	5,614	9,599
Income (loss) from continuing operations	1,854	3,698	5,416	(15,185)	13,155
Discontinued operations:					
Income (loss) from operations	(40)	--	--	--	--
Loss on disposal	(532)	--	--	--	--
Net income (loss)	$ 1,282	$ 3,698	$ 5,416	$ (15,185)	$ 13,155
Net income (loss) per common and common equivalent share (1)(2):					
Continuing operations	$ 0.14	$ 0.28	$ 0.35	$ (0.96)	$ 0.63
Net income (loss)	$ 0.10	$ 0.28	$ 0.35	$ (0.96)	$ 0.63
Weighted average number of common and common equivalent shares outstanding(1)	12,938	13,090	15,562	15,857	20,967

	YEAR ENDED JUNE 30,				
	1993	1994	1995	1996	1997
	(In thousands)				
BALANCE SHEET DATA:					
Working capital	$ 6,123	$ 7,774	$27,594	$ 68,917	$ 71,011
Total assets	32,764	42,009	75,697	160,167	192,264
Long-term debt and capital lease obligations, less current portion	2,251	2,576	4,087	706	462
Total stockholders' equity	13,402	17,156	41,789	99,835	131,441

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(1) Computed as described in Note 2(i) of Notes to Consolidated Financial Statements.
(2) The Company has never declared or paid cash dividends on its capital stock.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Since its founding in 1981, the Company has developed and marketed software and services to the process industries. The Company's revenues have grown each year since 1983, when the Company introduced the commercial version of its ASPEN PLUS modeling software product. In addition to internally generated growth, the Company has completed a number of acquisitions during the past three fiscal years. In the fourth quarter of fiscal 1995, AspenTech acquired ISI, a leading supplier of IMS software. In the third quarter of fiscal 1996, the Company acquired DMCC and Setpoint, gaining additional expertise in IMS, APC, and optimization software and services. In the second quarter of fiscal 1997, AspenTech acquired four additional companies, B-Jac International, the process control division of Cambridge Control Limited, the planning and scheduling software division of Bechtel Corporation and Basil Joffe Associates, Inc. gaining additional modeling, APC, planning, and scheduling expertise. The ISI and B-Jac International acquisitions were accounted for as pooling of interest transactions. The Company's financial statements, due to the immateriality of the B-Jac acquisition, have been restated for ISI only. The remaining acquisitions were accounted for as purchase transactions; therefore, only the portion of their results of operations subsequent to the acquisition dates is included in the Company's operating results. As a result, comparisons of results for the years ended June 30, 1997, 1996, and 1995 are not meaningful.

The Company typically licenses its modeling software products to customers for terms of either three or five years, planning and scheduling software for five or twenty-five years, and its IMS, APC and optimization software products for terms of 99 years. See "Item 1. Business -- Products and Services." Because in all cases the licenses are noncancelable and do not impose significant obligations on the Company, the Company recognizes software license revenues upon shipment in accordance with generally accepted accounting principles. In the case of license renewals, revenue is recognized upon execution of a renewal license agreement. The Company recognizes revenues from customer support ratably over the term of the license. If a customer elects to pay for a license in annual installments, the Company charges an implicit amount of interest and recognizes interest income over the term of the license. A substantial majority of the Company's term licenses have been renewed upon expiration. However, there can be no assurance that customers will continue to renew expiring term licenses at the historical rate.

The Company's revenues historically have been derived principally from the licensing of software products. Since the acquisitions of DMCC and Setpoint, the Company has generated a significantly greater amount of consulting revenues from services for the implementation of its off-the-shelf software products. The Company recognizes service revenues as services are performed. Service revenues from fixed-price contracts are recognized on the percentage-of-completion method, measured by the portion of costs incurred to date as a percentage of the estimated total (primarily labor) costs for each contract. Service revenues from time and expense contracts are recognized as the related services are performed. Training revenues are recognized as services are performed. Services that have been performed but for which billings have not been made are recorded as unbilled receivables, and billings for which services have not been performed are recorded as unearned revenues on the Company's Consolidated Balance Sheets.

The Company licenses its software in U.S. dollars and certain foreign currencies. The Company hedges all material foreign currency-denominated receivables with specific hedge contracts in amounts equal to those receivables. While the Company has experienced minor foreign currency exchange gains or losses due to foreign exchange rate fluctuations, the impact of such movements has not been material in any period. The Company does not expect fluctuations in foreign currencies to have a significant impact on either its revenues or expenses in the foreseeable future.

The Company's operating costs include the amortization of intangible assets, including goodwill, arising from the acquisitions of DMCC, Setpoint, the Process Control Division of Cambridge Control Limited, Bechtel Corporation PIMS and Basil Joffe Associates, Inc. The net balance of these intangible assets as of June 30, 1997 is approximately $12.8 million and is being amortized over periods ranging from 18 months to 12 years. The amortization was approximately $2,528,000 in fiscal 1997 and will be approximately $564,000 for each of the next fourteen quarters.

On August 27, 1997 and August 28, 1997 the Company acquired 100% of the outstanding shares of NeuralWare, Inc. (NeuralWare) and the SAST Corporation Limited (SAST), both accounted for as pooling-of-interests. NeuralWare is a provider of neural net technology and SAST is a provider of dynamic simulation and operator training services. Since the transactions occurred after the end of the 1997 fiscal year, they had no affect on operations. See footnote 3(g) "Acquisitions Subsequent to Year End" to "Notes to Consolidated Financial Statements".

RESULTS OF OPERATIONS

The following table sets forth the amount and percentage of total revenues represented by certain consolidated statement of income data for the periods indicated:

	Year Ended June 30,					
	1995		1996		1997	
	(Dollars in thousands)					
Revenues:						
Software licenses	$ 45,649	79.4%	$ 65,644	63.4%	$ 97,240	53.9%
Maintenance and other services	11,849	20.6	37,965	36.6	83,059	46.1
	57,498	100.0	103,609	100.0	180,299	100.0
Expenses:						
Cost of software licenses	2,799	4.9	3,476	3.4	4,538	2.5
Cost of services and other	7,458	13.0	22,949	22.1	48,702	27.0
Selling and marketing	23,233	40.4	34,691	33.5	53,517	29.7
Research and development	11,375	19.8	20,208	19.5	31,153	17.3
General and administrative	5,132	8.9	9,565	9.2	15,933	8.8
Charge for in-process research and development	--	--	24,421	23.6	8,664	4.8
Costs related to acquisition	950	1.6	--	--	--	--
	50,947	88.6	115,310	111.3	162,507	90.1
Income (loss) from operations	6,551	11.4	(11,701)	(11.3)	17,792	9.9
Foreign currency exchange gain (loss)	34	0.1	(223)	(0.3)	(236)	(0.1)
Income on equity in joint ventures	22	--	10	--	26	--
Interest income	3,095	5.4	3,666	3.5	5,323	2.9
Interest expense	(561)	(1.0)	(1,323)	(1.2)	(151)	(0.1)
Income (loss) before provision for income taxes	9,141	15.9	(9,571)	(9.3)	22,754	12.6
Provision for income taxes	3,725	6.5	5,614	5.4	9,599	5.3
Net income (loss)	$ 5,416	9.4%	($ 15,185)	(14.7%)	$13,155	7.3%

COMPARISON OF FISCAL 1997 TO FISCAL 1996

The Company acquired DMCC and Setpoint in the third quarter of fiscal 1996 and have subsequently taken steps to integrate and reorganize the operations. The operations of DMCC and Setpoint at the time of acquisition were roughly the same size as AspenTech. As a result, the Company's operations for fiscal 1997 and fiscal 1996 are not directly comparable. In addition the Company acquired and subsequently integrated four companies in the second quarter of fiscal 1997: B-Jac International, the Process Control Division of Cambridge Controls Limited, the planning and scheduling software group of Bechtel Corporation (PIMS), and Basil Joffe and Associates, Inc. The operations of all these acquisitions individually and combined is immaterial to the Company's historical statements.

Revenues. Revenues are derived from software licenses and services. Total revenues for fiscal 1997 increased 74.0% to $180.3 million from $103.6 in fiscal 1996.

Software license revenues represented 53.9% and 63.4% of total revenues in fiscal 1997 and 1996, respectively. Revenues from software licenses in fiscal 1997 increased 48.1% to $97.2 million from $65.6 million in fiscal 1996. The growth in software license revenues was attributable both to internal growth in existing operations and to additional licenses entered into by the acquired subsidiaries. The internal growth in software license revenues was attributable to renewals of software licenses covering existing users, the expansion of existing customer relationships through licenses covering additional users and additional software products, and, to a lesser extent, the addition of new customers. The decrease in software license as a percentage of total revenues was attributable to the growth of service revenues resulting from the Company's acquisitions of DMCC and Setpoint.

Total revenues from customers outside the United States were $94.3 million or 52.3% of total revenues and $47.1 million, or 45.4% of total revenues for fiscal 1997 and 1996, respectively.

Revenues from services and other consist of consulting services, post-contract support on software licenses, training and sales of documentation. Since the acquisitions of DMCC and Setpoint, the Company has generated a significantly greater amount of consulting services for the analysis, design and automation of process manufacturing plants. As a result of the acquisitions and the subsequent expansion of the combined services execution capability, revenues from services and other for fiscal 1997 increased 118.8% to $83.1 million from $38.0 million in fiscal 1996.

Neither the Company's joint venture and similar activities, nor any discounting or similar activities has historically had a material effect on the Company's revenues.

Cost of Software Licenses. Cost of software licenses consists of royalties, amortization of previously capitalized software costs, costs related to delivery of software (including disk duplication and third party software costs), printing of manuals and packaging. Cost of software licenses for fiscal 1997 increased 30.6% to $4.5 million from $3.5 million in fiscal 1996. Cost of software licenses as a percentage of revenues from software licenses decreased to 4.7% in fiscal 1997 from 5.3% in fiscal 1996. This decrease was due to the spreading of fixed production and delivery costs over a larger revenue base and to the generation of a greater portion of sales having minimal third-party royalty costs.

Cost of Services and Other. Cost of services and other consists of the cost of execution of application consulting services, technical support services, the cost of training services and the cost of manuals sold separately. Cost of services and other in fiscal 1997 increased 112.2% to $48.7 million from $22.9 million in fiscal 1996. Cost of services and other as a percentage of revenues from services and other decreased to 58.6% in fiscal 1997 from 60.4% in fiscal 1996. The percentage decrease reflected not only a change in mix of services provided by the Company but improvement in the efficiency of project execution.

Selling and Marketing. Selling and marketing expenses in fiscal 1997 increased 54.3% to $53.5 million from $34.7 million in fiscal 1996 while decreasing as a percentage of total revenues to 29.7% from 33.5%. The percentage decrease in costs reflects the Company's leveraging of its worldwide sales and technical sales force to market all of the Company's products and services. The Company continues to invest in sales personnel and regional sales offices to improve the Company's geographic proximity to its customers, to maximize the penetration of existing accounts and to add new customers.

Research and Development. Research and development expenses consist primarily of personnel and outside consultancy costs required to conduct the Company's product development efforts. Capitalized research and development costs are amortized over a three-year period. Research and development costs in fiscal 1997 increased 54.2% to $31.2 million from $20.2 in fiscal 1996 while decreasing as a percentage of total revenues to 17.3% from 19.5%. The increase in costs principally reflects investment in a suite of next generation products from overlapping technology purchased through the series of acquisitions and a continued investment in the

Company's core modeling products. The Company capitalized 7.1% and 4.3% of its total research and development costs during 1997 and 1996 respectively.

General and Administrative. General and administrative expenses consist primarily of salaries of administrative, executive, financial, and legal personnel, outside professional fees and amortization of intangibles. General and administrative expense in fiscal 1997 increased 66.6% to $15.9 million from $9.6 million in fiscal 1996, and decreased as a percentage of total revenues to 8.8% from 9.2% in fiscal 1996. The decrease is the result of improvement in the efficiency of the administrative group over an increasing revenue base.

Charge for In-Process Research and Development. In the second quarter of fiscal 1997, the Company recognized a non-recurring charge of $8.7 million for the write-off of in-process research and development in connection with the acquisitions of the Process Control Division of Cambridge Controls, LTD., the planning and scheduling software group of Bechtel Corporation , and Basil Joffe and Associates, Inc. The Company recognized a similar charge during the third quarter of fiscal 1996 of $24.4 million in connection with its acquisition of DMCC and Setpoint.

Interest Income. Interest income is generated primarily from the sale of software pursuant to installment contracts for off-line modeling software. Under these contracts, the Company offers customers the option to make annual payments for term licenses instead of a single license fee payment at the beginning of the license term. A substantial majority of the off-line modeling customers elect to license these products through installment contracts. The Company believes this election is made principally because the customers prefer to pay for the Company's off-line modeling products out of their operating budget, rather than out of their capital budgets. Included in the annual payments is an implicit interest charge based upon the interest rate established by the Company at the time of the license. The Company sells a portion of the installment contracts to unrelated financial institutions. The interest earned by the Company on the installment contract portfolio in any one year is the result of the implicit interest established by the Company on installment contracts and the size of the contract portfolio. Interest income in fiscal 1997 increased 45.2% to $5.3 million from $3.7 million in fiscal 1996. Interest income increased as a result of investment of the net proceeds of the Company's public offering completed in June 1996 and a larger installment contract portfolio.

Interest Expense. Interest expense is generated from interest charged on the Company's line of credit, subordinated notes payable to the Massachusetts Capital Resource Company, a promissory note issued in connection with the Setpoint acquisition, and capital lease obligations. Interest expense in fiscal 1997 decreased to $0.2 million from $ 1.3 million in fiscal 1996. This decrease reflects the repayment at the end of fiscal 1996 of borrowings under the Company's line of credit, the subordinated notes and the promissory note issued in connection with the acquisition of Setpoint.

Provision for Income Taxes. The effective tax rate in fiscal 1997 and 1996 is calculated as a percentage of income before taxes, exclusive of the non-recurring charges for in-process research and development. The effective tax rate decreased in fiscal 1997 to 36.0% of pretax income from 37.8% in fiscal 1996. This decrease is primarily due to utilization of various tax credits and carryforwards.

COMPARISON OF FISCAL 1996 TO FISCAL 1995

The Company acquired DMCC and Setpoint in the third quarter of fiscal 1996 in purchase transactions and has subsequently taken steps to integrate and reorganize the operations of AspenTech and its new subsidiaries. As a result, the Company's operating results for fiscal 1996 and fiscal 1995 are not directly comparable. The results of the Company's operations for fiscal 1996 are not representative of results of operations of the combined entities for subsequent periods. For fiscal 1996, on a pro forma basis giving effect to the acquisitions of DMCC and Setpoint as of the beginning of the period, revenues from software licenses and revenues from services and other represented 53% and 47%, respectively, of total revenues.

Revenues. Revenues are derived from software licenses and services. Total revenues for fiscal 1996 increased 80.2% to $103.6 million from $57.5 million in fiscal 1995.

Software license revenues represented 63.4% and 79.4% of total revenues in fiscal 1996 and 1995, respectively. Revenues from software licenses in fiscal 1996 increased 43.8% to $65.6 million from $45.6 million in fiscal 1995. The growth in software license revenues was attributable both to internal growth in existing operations and to additional licenses entered into by the newly acquired subsidiaries. The internal growth in software license revenues was attributable to renewals of software licenses covering existing users, to the expansion of existing customer relationships through licenses covering additional users and additional software products, and, to a lesser extent, to the addition of new customers. The decrease in software license revenues as a percentage of total revenues was attributable to the growth in service revenues resulting from AspenTech's acquisitions of DMCC and Setpoint.

Total revenues from customers outside the United States were $47.1 million or 45.4% of total revenues and $29.8 million or 51.9% of total revenues for fiscal 1996 and 1995, respectively. The growth in dollar amount of total revenues from customers outside the United States was attributable in part to revenues generated by Setpoint and, to a lesser extent, to internal growth in existing operations.

Revenues from services and other consist of consulting services, post-contract support on software licenses, training and sales of documentation. Since the acquisitions of DMCC and Setpoint, the Company has generated a significantly greater amount of consulting revenues from services for the analysis, design and automation of process manufacturing plants. As a result, revenues from services and other for fiscal 1996 increased 220.4% to $38.0 million from $11.8 million in fiscal 1995.

Cost of Software Licenses. Cost of software licenses for fiscal 1996 increased 24.2% to $3.5 million from $2.8 million in fiscal 1995. Cost of software licenses as a percentage of revenues from software licenses decreased to 5.3% in fiscal 1996 from 6.1% in fiscal 1995. This decrease was due to the spreading of fixed production and delivery costs over a larger revenue base and to the generation of a greater portion of sales having minimal third-party royalty costs.

Cost of Services and Other. Cost of services and other in fiscal 1996 increased 207.7% to $22.9 million from $7.5 million in fiscal 1995. Cost of services and other as a percentage of revenues from services and other decreased to 60.4% in fiscal 1996 from 62.9% in fiscal 1995. The percentage decrease reflected a change in the mix of services provided by the Company, primarily as a result of the acquisitions of DMCC and Setpoint.

Selling and Marketing. Selling and marketing expenses in fiscal 1996 increased 49.3% to $34.7 million from $23.2 million in fiscal 1995 while decreasing as a percentage of total revenues to 33.5% from 40.4%. The percentage decrease in costs reflects the lower level of sales and marketing activities historically supported by DMCC and Setpoint, as well as the Company's leveraging of its existing worldwide sales and technical sales force to market the software products and services of the newly acquired companies.

Research and Development. Research and development expenses in fiscal 1996 increased 77.7% to $20.2 million from $11.4 million in fiscal 1995 while decreasing as a percentage of total revenues to 19.5% from 19.8%. The increase in costs principally reflects continued investment in development of the Company's core modeling products and a common software architecture encompassing the Company's expanded family of software products, as well as a reduction in the amount of research and development capitalized during the period. The Company capitalized 4.3% and 8.1% of its total research and development costs during fiscal 1996 and 1995, respectively.

General and Administrative. General and administrative expenses in fiscal 1996 increased 86.4% to $9.6 million from $5.1 in fiscal 1995, and increased as a percentage of total revenues to 9.2% from 8.9% in fiscal 1995. The dollar increase principally reflected the growth in the scale and scope of the Company's operations.

Charge for In-Process Research and Development. In the third quarter of fiscal 1996, the Company recognized a non-recurring charge of $24.4 million for the write-off of in-process research and development in connection with its acquisitions of DMCC and Setpoint.

Interest Income. Interest income in fiscal 1996 increased 18.4% to $3.7 million from $3.1 million in fiscal 1995. Interest income increased as a result of investment of the net proceeds of public offerings completed by the Company in November 1994, February 1995, and June 1996, a larger installment contract portfolio and an increase in the implicit interest rate charged to customers.

Interest Expense. Interest expense in fiscal 1996 increased to $1.3 million from $0.6 million in fiscal 1995. This increase principally reflected a higher level of borrowings under the Company's bank line of credit as a result of borrowings used for payment of a portion of the purchase price for the Setpoint acquisition.

Provision for Income Taxes. The effective tax rate in fiscal 1996 is calculated as a percentage of income before taxes, exclusive of the non-recurring charge for in-process research and development. The effective tax rate decreased in fiscal 1996 to 37.8% of pretax income from 40.8% in fiscal 1995. This percentage decrease related principally to non-deductible acquisition costs incurred in connection with the ISI acquisition in fiscal 1995.

QUARTERLY RESULTS

The Company's operating results have fluctuated in the past and may fluctuate significantly in the future. Because the Company ships software products within a short period after receipt of an order, the Company typically does not have a material backlog of unfilled orders for software products, and revenues from software licenses in any quarter are substantially dependent on orders for software products booked in the quarter. Historically, a majority of each quarter's revenues from software licenses has come from license contracts that have been effected in the final weeks of that quarter.

The revenues for a quarter typically include a number of large orders. If the timing of any of these orders is delayed, it could result in a substantial reduction in revenues for that quarter. Since the Company's expense levels are based in part on its expectations as to future revenues, the Company may be unable to adjust spending in a timely manner to compensate for any revenue shortfall. Accordingly, any revenue shortfalls would likely have a disproportionate adverse effect on net income.

Prior to fiscal 1996, the Company experienced a net loss for the first quarter of each fiscal year, in part because a substantial portion of the Company's revenues is derived from countries other than the United States where business is slow during the summer months, and also in part because of the timing of contract renewals. The Company expects that these factors will continue to affect its operating results. See "Item 1a. Risk Factors - Fluctuations in Quarterly Operating Results."

In addition, in recent years the Company's revenues during the third fiscal quarter, as compared to the immediately preceding quarter, have grown at a slower rate than during the second and fourth fiscal quarters, as compared to their respective immediately preceding quarters. The Company's operating results for the third quarter of fiscal 1996 included a non-recurring charge for in-process research and development of $24.4 million recorded in connection with the acquisitions of DMCC and Setpoint.

The following table presents selected quarterly statement of income data for fiscal 1995, fiscal 1996 and fiscal 1997. These data are unaudited but, in the opinion of the Company's management, reflect all adjustments that the Company considers necessary for a fair presentation of these data in accordance with generally accepted accounting principles. As a result of the acquisitions of DMCC and Setpoint in purchase transactions during the quarter ended March 31, 1996, the quarterly results presented below are not indicative of future results of operations.

	QUARTER ENDED							
	FISCAL 1996				FISCAL 1997			
	Sept.30	Dec.31	Mar.31	June 30	Sept.30	Dec.31	Mar.31	June 30
Revenues:								
Software licenses	$ 9,927	$ 13,980	$ 17,923	$ 23,814	$ 16,131	$ 23,928	$26,656	$ 30,525
Maintenance and other services	3,342	3,960	13,169	17,494	18,737	20,273	21,320	22,729
	13,269	17,940	31,092	41,308	34,868	44,201	47,976	53,254
Expenses:								
Cost of software licenses	591	972	938	975	816	1,268	1,183	1,271
Cost of maintenance and other services	1,847	2,140	8,397	10,565	11,129	11,984	12,464	13,125
Selling and marketing	6,033	7,071	9,631	11,956	11,286	12,953	14,207	15,071
Research and development	3,457	3,731	5,834	7,186	6,964	7,141	7,861	9,187
General and administrative	1,288	1,375	3,133	3,769	3,721	3,959	4,342	3,911
Charge for in-process research and development	--	--	24,421	--	--	8,664	--	--
	13,216	15,289	52,354	34,451	33,916	45,969	40,057	42,565
Income (loss) from operations	53	2,651	(21,262)	6,857	952	(1,768)	7,919	10,689
Other income (expense)	(56)	(17)	(69)	(71)	(22)	(88)	--	(100)
Interest income, net	870	877	434	162	1,345	1,236	1,126	1,465
Income (loss) before provision for income taxes	867	3,511	(20,897)	6,948	2,275	(620)	9,045	12,054
Provision for income taxes	329	1,349	1,339	2,597	865	1,341	3,418	3,975
Net income (loss)	$ 538	$ 2,162	$(22,236)	$ 4,351	$ 1,410	$ (1,961)	$ 5,627	$ 8,079

LIQUIDITY AND CAPITAL RESOURCES

In recent years, the Company has financed its operations principally through cash generated from sales of securities through private placements and public offerings of its Common Stock, operating activities, the sale of installment contracts to third parties and, at certain times during the year, borrowings under a bank line of credit.

In the fourth quarter of fiscal 1996 and in the second and third quarters of fiscal 1995, the Company received a total of approximately $87.0 million of net proceeds from its initial public offering and subsequent public offerings. A portion of the total net proceeds was used for working capital and other general corporate purposes, to pay a portion of the purchase prices of DMCC and Setpoint and to repay outstanding indebtedness under its bank line of credit, subordinated notes and a promissory note issued in conjunction with the purchase of Setpoint. The Company evaluates on an ongoing basis potential opportunities to acquire or invest in technologies, products or businesses that expand, complement or are otherwise related to the Company's current business and products. See "Item 1a. Risk Factors - Risks Associated with Future Acquisitions."

In fiscal 1997, operating activities provided $0.8 million of cash primarily as a result of net income, increases in accounts payable, accrued expenses and deferred revenue offset in part by increases in long-term installments receivable and accounts receivable. In fiscal 1996 and 1995, operating activities provided $18.4 million and $3.6 million of cash, respectively, primarily related to net income and increases in accounts payable, accrued expenses and deferred revenue, offset in part by increases in accounts receivable.

In recent years, the Company has had arrangements to sell long-term contracts to two financial institutions, General Electric Capital Corporation and Sanwa Business Credit Corporation. These contracts represent amounts due over the life of existing term licenses. During fiscal 1997, installment contracts increased by $20.3 million to $50.0 million, net of $30.2 million of installment contracts sold to General Electric Capital Corporation and Sanwa Business Credit Corporation. During fiscal 1996, installment contracts decreased by $1.8 million to $29.8 million, net of $28.9 million of installment contracts sold to General Electric Capital Corporation and Sanwa Business Credit Corporation. The Company's arrangements with these two financial institutions provide for the sale of installment contracts up to certain limits and with certain recourse obligations. At June 30, 1997 and June 30, 1996, the balance of the uncollected principal portion of the contracts sold to these two financial institutions was $57.8 million and $42.7 million, respectively, for which the Company had partial recourse obligations of $6.6 million and $11.5 million, respectively. The availability under these arrangements will increase as the financial institutions receive payment on installment contracts previously sold. See Note 12 of Notes to Consolidated Financial Statements.

The Company maintains a $30.0 million bank line of credit, expiring on December 31, 1998, that provides for borrowings of specified percentages of eligible accounts receivable and eligible current installment contracts. Advances under the line of credit bear interest at a rate (8.5% at June 30, 1997) equal to the bank's prime rate plus a specified margin or, at the Company's option, a rate (5.69% at June 30, 1996) equal to a defined LIBOR plus a specified margin. The bank line of credit is secured by a pledge of substantially all of the assets of the Company and its United States subsidiaries. The line of credit agreement requires the Company to provide the bank with certain periodic financial reports and to comply with certain financial tests, including maintenance of minimum levels of consolidated net income before taxes and of the ratio of current assets to current liabilities. As of June 30, 1997, there were no outstanding borrowings under the line of credit.

The Company's commitments as of June 30, 1997 consisted primarily of leases on its headquarters and other facilities. See "Item 1. Business -- Facilities." There were no other material commitments for capital or other expenditures. The Company believes its current cash balances, availability of sales of its installment contracts, availability under its bank line of credit and cash flows from its operations, will be sufficient to meet its working capital and capital expenditure requirements for at least the next 12 months.

INFLATION

Inflation has not had a significant impact on the Company's operating results to date, nor does the Company expect it to have significant impact during fiscal 1998.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements of the Company are listed in the Index to Financial Statements filed in Item 14(a)(i) as part of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS OF ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes or disagreements with accountants on accounting or financial disclosure matters during the Company's two most recent fiscal years.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS

Certain of the information concerning the directors of the Company required under this Item is contained in "Item 4a. Executive Officers of the Registrant," and the remainder of such information is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, to be filed with the Securities and Exchange Commission not later than 120 days after June 30, 1997, under the heading "Election of Directors."

EXECUTIVE OFFICERS

Certain of the information concerning the executive officers of the Company required under this Item is contained in "Item 4a. Executive Officers of the Registrant," and the remainder of such information is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, to be filed with the Securities and Exchange Commission not later than 120 days after June 30, 1997, under the heading "Election of Directors."

ITEM 11. EXECUTIVE COMPENSATION

The information required under this Item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, to be filed with the Securities and Exchange Commission not later than 120 days after June 30, 1997, under the heading "Executive Officer Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required under this Item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, to be filed with the Securities and Exchange Commission not later than 120 days after June 30, 1997, under the heading "Share Ownership of Principal Stockholders and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required under this Item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, to be filed with the Securities and Exchange Commission not later than 120 days after June 30, 1997, under the heading "Certain Relationships and Related Transactions.".

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

All other schedules are omitted because they are not required or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3) Exhibits

*	3.1	- Restated Articles of Organization of the Registrant.
**	3.2	- By-laws of Registrant.
***	4.1	- Specimen Certificate for Shares of the Registrant's Common Stock, $.10 par value.
***	10.1	- Lease Agreement between Registrant and Teachers Insurance and Annuity Association of America regarding Ten Canal Park, Cambridge, Massachusetts.
***	10.2	- System License Agreement between the Registrant and the Massachusetts Institute of Technology, dated March 30, 1982, as amended.
***+	10.3	- Non-Equilibrium Distillation Model Development and License Agreement between the Registrant and Koch Engineering Company, Inc., as amended.
***+	10.3a.	- Letter, dated October 19, 1994, from the Company to Koch Engineering Company, Inc., pursuant to which the Company elected to extend the term of the Company's license under the Non-Equilibrium Distillation Model Development and License Agreement.
***+	10.4	- Batch Distillation Computer Program Development and license agreement between Process Simulation Associates, Inc. and Koch Engineering Company, Inc.
***+	10.5	- Agreement between the Registrant and Imperial College of Science, Technology and Medicine regarding Assignment of SPEEDUP.
	10.6	*** (a) Subordinated Note and Warrant Purchase Agreement dated as of May 7, 1991 between the Registrant and Massachusetts Capital Resource Company.
		*** (b) Subordinated Note due 1998 dated as of May 7, 1991 issued by Registrant to Massachusetts Capital Resource Company.
		*** (c) Common Stock Purchase Warrant No. 91-1.
		*** (d) Common Stock Purchase Warrant No. 91-2.
		*** (e) Subordinated Note Purchase Agreement dated as of August 22, 1994 between the Registrant and Massachusetts Capital Resource Company.
		*** (f) Subordinated Note due 1997 dated as of August 22, 1994 issued by Registrant to Massachusetts Capital Resource Company.
		*** (g) Security Agreement dated as of July 24, 1989 between the Registrant and Massachusetts Capital Resource Company, as amended.
***	10.7	- Noncompetition, Confidentiality and Proprietary Rights Agreement between the Registrant and Lawrence B. Evans.
***	10.8	- Noncompetition, Confidentiality and Proprietary Rights

Agreement between the Registrant and Joseph F. Boston.

*** 10.9 - Noncompetition, Confidentiality and Proprietary Rights Agreement between the Registrant and Paul W. Gallier.

*** 10.10 - Noncompetition, Confidentiality and Proprietary Rights Agreement between the Registrant and Herbert I. Britt.

*** 10.11 - 1988 Non-Qualified Stock Option Plan, as amended.

++ 10.12 - 1995 Stock Option Plan

++ 10.13 - 1995 Directors Stock Option Plan

++ 10.14 - 1995 Employees Stock Purchase Plan

10.15 + ***(a) Vendor Program Agreement between the Registrant and General Electric Capital Corporation.

*(b) Rider No. 1, dated December 14, 1994, to Vendor Program Agreement between the Registrant and General Electric Capital Corporation.

***+ 10.16 - Letter Agreement between the Registrant and Sanwa Business Credit Corporation.

*** 10.17 - Form of Employee Confidentiality and Non-Competition Agreement.

*** 10.18 - Equity Joint Venture Contract between the Registrant and China Petrochemical Technology Company.

**** 10.19 - Amended and Restated Agreement and Plan of Reorganization, dated as of May 12, 1995, by and among the Registrant, Industrial Systems, Inc. and the stockholders of Industrial Systems, Inc.

***** 10.20 - Stock Purchase Agreement dated as of December 15, 1995, among Aspen Technology, Inc., Dynamic Matrix Control Corporation and Charles R. Cutler, June A. Cutler, Charles R. Johnston and Cheryl Lynne Johnston, as shareholders of Dynamic Matrix Control Corporation.

***** 10.21 - Share Purchase Agreement dated as of January 5, 1996 among Aspen Technology, Inc., Amelinc Corporation and Cegelec S.A.

10.22 - Further Amended and Restated Revolving Credit Agreement dated as of February 15, 1996 among the Registrant, Prosys Modeling Investment Corporation, Industrial Systems, Inc., Dynamic Matrix Control Corporation and Setpoint, Inc., as the Borrowers, the Lenders Parties thereto, and Fleet Bank of Massachusetts, N.A., as Agent and Lender, together with related forms of the following (each in the form executed by each of such Borrowers):

*****(a) Amended and Restated Revolving Credit Note

*****(b) Patent Conditional Assignment and Security Agreement

*****(c) Trademark Collateral Security Agreement.

*****(d) Security Agreement.

10.23 - 1996 Special Stock Option Plan

10.24 - Change in Control Agreement between the Registrant and Lawrence B. Evans dated August 12, 1997.

10.25 - Change in Control Agreement between the Registrant and Joseph F. Boston dated August 12, 1997.

10.26 - Change in Control Agreement between the Registrant and David McQuillin dated August 12, 1997.

10.27 - Change in Control Agreement between the Registrant and Mary A. Palermo dated August 12, 1997.

10.28 - Change in Control Agreement between the Registrant and Joel B. Rosen dated August 12, 1997.

10.29 - Change in Control Agreement between the Registrant and Stephen J. Doyle dated August 12, 1997.

22.1 - Subsidiaries of the Registrant.

23.1 - Consent of Arthur Andersen LLP.

24.1 - Power of Attorney (included in signature page to Form 10-K).

27 -Financial Data Schedules for fiscal year ended June 30, 1997.

* Incorporated by reference to the corresponding Exhibit to the Registration Statement on Form S-1 of the Registrant (Registration No. 32-88734) filed on January 29, 1995.

** Incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-1 of the Registrant (Registration No. 33-83916) filed on September 13, 1994.

*** Incorporated by reference to the corresponding Exhibit to the

Registration Statement on Form S-1 of the Registrant (Registration No. 33-83916) filed on September 13, 1994.

****	Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on form 10-Q for the fiscal quarter ended March 31, 1995.
*****	Incorporated by reference to the corresponding Exhibit to the Registrant's Current Report on Form 8-K dated January 5, 1996, as amended, by Amendment Nos. 1,2,3 and 4 thereto. Incorporated by reference to the corresponding Exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996. Incorporated by reference to the corresponding Exhibit to the Registration Statement on Form S-8 of the Registrant (Registration No. 333-11651) filed on September 9, 1996.
+	Certain portions have been granted Confidential Treatment by the Securities and Exchange Commission at the request of the Company pursuant to Rule 406 under the Securities Act of 1933.
++	Incorporated by reference to the corresponding Exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ending June 30, 1996.

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the last fiscal quarter of 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 29th day of September, 1997.

ASPEN TECHNOLOGY, INC.

/s/ Lawrence B. Evans

Lawrence B. Evans, Chairman of the Board of Directors and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby appoints Lawrence B. Evans and Mary A. Palermo and each of them severally, acting alone and without the other, his/her true and lawful attorney-in fact with the authority to execute in the name of each such person, and to file with the Securities and Exchange Commission, together with any exhibits thereto and other documents therewith, any and all amendments to this Annual Report of Form 10-K necessary or advisable to enable the Registrant to comply with the rules, regulations, and requirements of the Securities Act of 1934, as amended, in respect thereof, which amendments may make such other changes in the Annual Report as the aforesaid attorney-in-fact executing the same deems appropriate.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on the 29th day of September, 1997.

SIGNATURE	TITLE(S)
/s/ Lawrence B. Evans Lawrence B. Evans	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ Mary A. Palermo Mary A. Palermo	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Joseph F. Boston Joseph F. Boston	Director
/s/ Gresham T. Brebach, Jr. Gresham T. Brebach, Jr.	Director
/s/ Douglas R. Brown Douglas R. Brown	Director
/s/ Joan C. McArdle Joan C. McArdle	Director
/s/Alison Ross Alison Ross	Director

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Aspen Technology, Inc.:

We have audited the accompanying consolidated balance sheets of Aspen Technology, Inc. (a Massachusetts corporation) and subsidiaries as of June 30, 1996 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aspen Technology, Inc. and subsidiaries as of June 30, 1996 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1997, in conformity with generally accepted accounting principles.

Boston, Massachusetts
August 13, 1997 (Except
with respect to the matters
discussed in footnote 3(g)
as to which the date is
August 28, 1997)

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS	JUNE 30, 1996	JUNE 30, 1997
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,524	$ 16,091
Short-term investments	38,559	15,843
Accounts receivable, net of reserves of $731 in 1996 and $720 in 1997	38,006	44,180
Unbilled services	7,634	12,444
Current portion of long-term installments receivable, net of unamortized discount of $930 in 1996 and $815 in 1997	12,068	19,063
Prepaid expenses and other current assets	3,318	7,403
Total current assets	112,109	115,024
LONG-TERM INSTALLMENTS RECEIVABLE, NET OF UNAMORTIZED DISCOUNT OF $5,027 IN 1996 AND $7,386 IN 1997	17,708	30,963
PROPERTY AND LEASEHOLD IMPROVEMENTS, AT COST:		
Building and improvements	3,741	3,922
Computer equipment	17,862	23,393
Purchased software	2,974	9,852
Furniture and fixtures	3,489	7,553
Leasehold improvements	698	2,618
	28,764	47,338
Less--Accumulated depreciation and amortization	11,949	19,904
	16,815	27,434
COMPUTER SOFTWARE DEVELOPMENT COSTS, NET OF ACCUMULATED AMORTIZATION OF $3,908 IN 1996 AND $5,051 IN 1997	1,817	3,058
LAND	925	925
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION OF $819 IN 1996 AND $3,347 IN 1997	9,129	12,768
OTHER ASSETS	1,664	2,092
	$160,167	$192,264

LIABILITIES AND STOCKHOLDERS' EQUITY	JUNE 30, 1996	JUNE 30, 1997
CURRENT LIABILITIES:		
Current portion of capital lease obligations	$ 425	$ 288
Accounts payable	6,037	6,712
Accrued expenses	16,012	16,572
Unearned revenue	8,967	4,294
Deferred revenue	8,953	14,372
Deferred income taxes	2,798	1,775
Total current liabilities	43,192	44,013
CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION	706	462
DEFERRED REVENUE, LESS CURRENT PORTION	8,279	9,441
OTHER LIABILITIES	1,757	942
DEFERRED INCOME TAXES	6,398	5,965
COMMITMENTS AND CONTINGENCIES (Notes 11, 12 and 13)		
STOCKHOLDERS' EQUITY:		
Common stock, $.10 par value-		

Authorized--40,000,000 shares		
Issued--19,382,360 shares and 20,359,892 shares in 1996 and 1997, respectively	1,938	2,036
Additional paid-in capital	109,857	127,578
Retained (deficit) earnings	(11,094)	2,588
Cumulative translation adjustment	(362)	(255)
Treasury stock, at cost--230,396 shares and 230,330 shares of common stock in 1996 and 1997, respectively	(502)	(502)
Unrealized loss on investments	(2)	(4)
Total stockholders' equity	99,835	131,441
	$160,167	$192,264

The accompanying notes are an integral part of these consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEARS ENDED JUNE 30, 1995	1996	1997
REVENUES:			
Software licenses	$ 45,649	$ 65,644	$ 97,240
Services and other	11,849	37,965	83,059
	57,498	103,609	180,299
EXPENSES:			
Cost of software licenses	2,799	3,476	4,538
Cost of services and other	7,458	22,949	48,702
Selling and marketing	23,233	34,691	53,517
Research and development	11,375	20,208	31,153
General and administrative	5,132	9,565	15,933
Charge for in-process research and development	--	24,421	8,664
Costs related to acquisition	950	--	--
	50,947	115,310	162,507
Income (loss) from operations	6,551	(11,701)	17,792
FOREIGN CURRENCY EXCHANGE GAIN (LOSS)	34	(223)	(236)
INCOME ON EQUITY IN JOINT VENTURES	22	10	26
INTEREST INCOME	3,095	3,666	5,323
INTEREST EXPENSE ON SUBORDINATED NOTES PAYABLE TO A RELATED PARTY	(369)	(377)	--
OTHER INTEREST EXPENSE	(192)	(946)	(151)
Income (loss) before provision for income taxes	9,141	(9,571)	22,754
PROVISION FOR INCOME TAXES	3,725	5,614	9,599
Net income (loss)	$ 5,416	$ (15,185)	$ 13,155
NET INCOME (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE	$ 0.35	$ (0.96)	$ 0.63
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	15,562,042	15,857,472	20,967,200

The accompanying notes are an integral part of these consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT SHARE DATA)

	CLASS A, CLASS B AND SERIES C-1 CONVERTIBLE PREFERRED STOCK		COMMON STOCK	
	NUMBER OF SHARES	PAR VALUE	NUMBER OF SHARES	$.10 PAR VALUE
BALANCE, JUNE 30, 1994	356,986	$ 177	7,009,330	$ 701
Issuance of common stock in public offerings, net of issuance costs of $1,223	--	--	3,100,000	310
Issuance of common stock under employee stock purchase plans	--	--	72,064	7
Exercise of stock options and warrants	--	--	688,462	69
Liquidation of fractional shares	--	--	--	--
Conversion of preferred stock to common stock	(356,986)	(177)	4,709,580	471
Purchase of treasury stock	--	--	--	--
Repayment of receivable	--	--	--	--
Translation adjustment	--	--	--	--
Unrealized market gain on investments	--	--	--	--
Tax benefit related to stock options	--	--	--	--
Dividend distributions to stockholders relating to acquired Subchapter S corporation, net	--	--	--	--
Net income	--	--	--	--
BALANCE, JUNE 30, 1995	--	--	15,579,436	1,558
Issuance of common stock in a public offering, net of issuance costs of $4,239	--	--	2,907,820	291
Issuance of common stock in a private placement	--	--	66,770	6
Issuance of common stock under employee stock purchase plans	--	--	50,220	5
Exercise of stock options and warrants	--	--	778,114	78
Translation adjustment	--	--	--	--
Realized gain on investments	--	--	--	--
Unrealized market loss on investments	--	--	--	--
Tax benefit related to stock options	--	--	--	--
Net loss	--	--	--	--
BALANCE, JUNE 30, 1996	--	--	19,382,360	1,938
Issuance of common stock in an immaterial pooling	--	--	104,162	10
Issuance of common stock in the purchase of businesses	--	--	155,740	16
Issuance of common stock under employee stock purchase plans	--	--	210,085	21
Exercise of stock options and warrants	--	--	507,545	51
Translation adjustment	--	--	--	--
Issuance of treasury stock to charity	--	--	--	--
Unrealized market loss on investments	--	--	--	--
Tax benefit related to stock options	--	--	--	--
Net income	--	--	--	--
BALANCE, JUNE 30, 1997	--	$ --	20,359,892	$ 2,036

	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	CUMULATIVE TRANSLATION ADJUSTMENT	RECEIVABLE FROM STOCKHOLDER FOR STOCK ISSUED
BALANCE, JUNE 30, 1994	$ 17,578	$ (398)	$ (390)	$ (15)
Issuance of common stock in public offerings, net of issuance costs of $1,223	17,539	--	--	--
Issuance of common stock under employee stock purchase plans	238	--	--	--
Exercise of stock options and warrants	1,113	--	--	--
Liquidation of fractional shares	--	--	--	--
Conversion of preferred stock to common stock	(294)	--	--	--
Purchase of treasury stock	--	--	--	--
Repayment of receivable	--	--	--	15
Translation adjustment	--	--	90	--
Unrealized market gain on investments	--	--	--	--
Tax benefit related to stock options	486	--	--	--
Dividend distributions to stockholders relating to acquired Subchapter S corporation, net	--	(927)	--	--
Net income	--	5,416	--	--
BALANCE, JUNE 30, 1995	36,660	4,091	(300)	--
Issuance of common stock in a public offering, net of issuance costs of $4,239	68,166	--	--	--
Issuance of common stock in a private placement	1,058	--	--	--
Issuance of common stock under employee stock purchase plans	469	--	--	--

Exercise of stock options and warrants	1,397	--	--	--
Translation adjustment	--	--	(62)	--
Realized gain on investments	--	--	--	--
Unrealized market loss on investments	--	--	--	--
Tax benefit related to stock options	2,107	--	--	--
Net loss	--	(15,185)	--	--
BALANCE, JUNE 30, 1996	109,857	(11,094)	(362)	--
Issuance of common stock in an immaterial pooling	165	527	--	--
Issuance of common stock in the purchase of businesses	5,892	--	--	--
Issuance of common stock under employee stock purchase plans	3,549	--	--	--
Exercise of stock options and warrants	4,152	--	--	--
Translation adjustment	--	--	107	--
Issuance of treasury stock to charity	--	--	--	--
Unrealized market loss on investments	--	--	--	--
Tax benefit related to stock options	3,963	--	--	--
Net income	--	13,155	--	--
BALANCE, JUNE 30, 1997	$ 127,578	$ 2,588	$ (255)	$ --

	TREASURY STOCK NUMBER OF SHARES	TREASURY STOCK AMOUNT	UNREALIZED GAIN (LOSS) ON INVESTMENTS	TOTAL STOCKHOLDERS' EQUITY
BALANCE, JUNE 30, 1994	229,188	$ (497)	$ --	$ 17,156
Issuance of common stock in public offerings, net of issuance costs of $1,223	--	--	--	17,849
Issuance of common stock under employee stock purchase plans	--	--	--	245
Exercise of stock options and warrants	--	--	--	1,182
Liquidation of fractional shares	64	--	--	--
Conversion of preferred stock to common stock	--	--	--	--
Purchase of treasury stock	1,144	(5)	--	(5)
Repayment of receivable	--	--	--	15
Translation adjustment	--	--	--	90
Unrealized market gain on investments	--	--	282	282
Tax benefit related to stock options	--	--	--	486
Dividend distributions to stockholders relating to acquired Subchapter S corporation, net	--	--	--	(927)
Net income	--	--	--	5,416
BALANCE, JUNE 30, 1995	230,396	(502)	282	41,789
Issuance of common stock in a public offering, net of issuance costs of $4,239	--	--	--	68,457
Issuance of common stock in a private placement	--	--	--	1,064
Issuance of common stock under employee stock purchase plans	--	--	--	474
Exercise of stock options and warrants	--	--	--	1,475
Translation adjustment	--	--	--	(62)
Realized gain on investments	--	--	(282)	(282)
Unrealized market loss on investments	--	--	(2)	(2)
Tax benefit related to stock options	--	--	--	2,107
Net loss	--	--	--	(15,185)
BALANCE, JUNE 30, 1996	230,396	(502)	(2)	99,835
Issuance of common stock in an immaterial pooling	--	--	--	702
Issuance of common stock in the purchase of businesses	--	--	--	5,908
Issuance of common stock under employee stock purchase plans	--	--	--	3,570
Exercise of stock options and warrants	--	--		4,203
Translation adjustment	--	--	--	107
Issuance of treasury stock to charity	(66)	--	--	--
Unrealized market loss on investments	--	--	(2)	(2)
Tax benefit related to stock options	--	--	--	3,963
Net income	--	--	--	13,155
BALANCE, JUNE 30, 1997	230,330	$ (502)	$ (4)	$ 131,441

The accompanying notes are an integral part of these consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED JUNE 30,		
	1995	1996	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 5,416	$(15,185)	$ 13,155
Adjustments to reconcile net income (loss) to net cash provided by operating activities -			
Depreciation and amortization	2,748	5,641	11,301
Charge for in-process research and development	--	24,421	8,664
Deferred income taxes	2,573	(295)	(1,646)
Changes in assets and liabilities -			
Accounts receivable	(3,061)	(12,415)	(9,501)
Prepaid expenses and other current assets	(780)	1,053	(4,042)
Long-term installments receivable	(8,503)	1,790	(20,251)
Accounts payable and accrued expenses	2,446	7,000	3,750
Unearned revenue	66	2,823	(7,835)
Deferred revenue	2,716	3,560	7,229
Net cash provided by operating activities	3,621	18,393	824
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and leasehold improvements	(2,565)	(7,017)	(18,093)
Increase in computer software development costs	(1,026)	(908)	(2,384)
(Increase) decrease in other assets	(154)	117	(549)
(Increase) decrease in short-term investments	(18,364)	(20,197)	22,715
Increase (decrease) in other liabilities	401	955	(815)
Cash acquired in an immaterial pooling	--	--	792
Cash used in the purchase of business, net of cash acquired	--	(44,723)	(6,232)
Net cash used in investing activities	(21,708)	(71,773)	(4,566)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock	17,849	69,521	--
Issuance of common stock under employee stock purchase plans	245	474	3,570
Exercise of common stock options and warrants	1,182	925	4,203
Purchase of treasury shares	(5)	--	--
Repayment of notes receivable for stock issued	15	--	--
Proceeds from subordinated note payable to related party	2,000	--	--
Payment of subordinated notes payable to related parties	--	(3,450)	--
Payments of long-term debt and capital lease obligations	(661)	(5,693)	(571)
Dividend distributions to stockholders relating to acquired Subchapter S corporation, net	(927)	--	--
Net cash provided by financing activities	19,698	61,777	7,202
EFFECT OF EXCHANGE RATE CHANGES ON CASH	90	(62)	107
INCREASE IN CASH AND CASH EQUIVALENTS	1,701	8,335	3,567
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,488	4,189	12,524
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,189	$ 12,524	$ 16,091
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for income taxes	$ 600	$ 1,861	$ 2,334
Cash paid for interest	$ 524	$ 1,363	$ 199
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Increase in equipment under capital lease obligations	$ --	$ 105	--
Increase in additional paid-in capital and decrease in accrued expenses relating to the tax benefit of exercise of nonqualified stock options	$ 486	$ 2,107	$ 3,963
Increase in common stock and additional paid-in capital and decrease in subordinated notes payable to a related party relating to the exercise of warrants	$ --	$ 550	$ --
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS RELATED TO ACQUISITIONS:			
During 1996 and 1997, the Company acquired certain companies as described in Note 3. These acquisitions are summarized as follows -			
Fair value of assets acquired, excluding cash	$ --	$ 47,919	$ 15,469
Issuance of common stock related to acquisitions	--	--	(5,908)
Payments in connection with the acquisitions, net of cash acquired	--	(44,723)	(6,232)
Liabilities assumed	$ --	$ 3,196	$ 3,329

In May 1995, the Company acquired Industrial Systems, Inc., which was accounted for as a pooling-of-interests. In September 1996, the Company acquired B-JAC International, Inc., which was accounted for as a pooling-of-interests.

The accompanying notes are an integral part of these consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(1) OPERATIONS

Aspen Technology, Inc. (the Company) develops and markets process modeling and automation software and services internationally to the process industries. The Company's principal products are used to analyze, design and automate the manufacturing processes in the chemicals, petroleum, pharmaceuticals, pulp and paper, electric power, and food and consumer products industries. The Company's services include hot line assistance, training courses and design and implementation consulting services on a contract basis.

(2) SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the results of operations of the Company and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

(b) Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market, and consist of short-term, highly liquid investments with original maturities of less than three months.

(c) Short-Term Investments

The Company accounts for short-term investments in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities. Under SFAS No. 115, securities purchased to be held for indefinite periods of time, and not intended at the time of purchase to be held until maturity, are classified as available-for-sale securities. Securities classified as available-for-sale are required to be recorded at market value in the financial statements. Unrealized gains and losses have been accounted for as a separate

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

component of stockholders' equity. Available-for-sale investments as of June 30, 1996 and 1997 are as follows (in thousands):

DESCRIPTION	CONTRACTED MATURITY	MARKET VALUE AT JUNE 30, 1996	1997
Commercial paper	1 - 11 months	$ 38,559	$ 2,150
Corporate and foreign bonds	1 - 12 months	-	3,030
Corporate and foreign bonds	1-5 years	-	10,663
		$38,559	$ 15,843

The Company had no realized gains or losses for the years ended June 30, 1995 and 1997 and had realized gains of $282,000 for the year ended June 30, 1996.

(d) Depreciation and Amortization

The Company provides for depreciation and amortization, computed using the straight-line and declining balance methods, by charges to operations in amounts estimated to allocate the cost of the assets over their estimated useful lives, as follows:

ASSET CLASSIFICATION	ESTIMATED USEFUL LIFE
Building and improvements	7 - 30 years
Computer equipment	3 - 10 years
Purchased software	3 years
Furniture and fixtures	3 - 10 years
Leasehold improvements	Life of lease

(e) Land

In connection with the acquisition of Setpoint, Inc. (see Note 3(b)), the Company acquired land that is being held for investment purposes. The land was recorded at its appraised value at the date of acquisition.

(f) Revenue Recognition

The Company recognizes revenue from software licenses upon the shipment of its products, pursuant to a signed noncancelable license agreement. In the case of license renewals, revenue is recognized upon execution of the renewal license agreement. The Company has no other significant vendor obligations or collectibility risk associated with its product sales. The Company recognizes revenue from postcontract customer support ratably over the period of the

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

postcontract arrangement. The Company accounts for insignificant vendor obligations by deferring a portion of the revenue and recognizing it either ratably as the obligations are fulfilled or when the related services are performed. If significant application development services are performed in connection with the purchase of a license, the license fees are recognized as the application development services are performed.

Service revenues from fixed-price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount thereof is provided currently. Service revenues from time and expense contracts and consulting and training revenue are recognized as the related services are performed. Services that have been performed but for which billings have not been made are recorded as unbilled services, and billings that have been recorded before the services have been performed are recorded as unearned revenue in the accompanying consolidated balance sheets.

Installments receivable represent the present value of future payments related to the financing of noncancelable term license agreements that provide for payment in installments over a one- to five-year period. A portion of each installment agreement is recognized as interest income in the accompanying consolidated statements of operations. The interest rates in effect in fiscal 1995, 1996 and 1997 were 11% to 12%, 11% to 12% and 8.5% to 11%, respectively.

(g) Computer Software Development Costs

In compliance with SFAS No. 86, Accounting for the Costs of Computer Software To Be Sold, Leased or Otherwise Marketed, certain computer software development costs are capitalized in the accompanying consolidated balance sheets. Capitalization of computer software development costs begins upon the establishment of technological feasibility. Amortization of capitalized computer software development costs are provided on a product-by-product basis using the straight-line method over the remaining estimated economic life of the product, not to exceed three years. Total amortization expense charged to operations was approximately $630,000, $735,000 and $1,143,000 in fiscal 1995, 1996 and 1997, respectively.

(h) Foreign Currency Translation

The financial statements of the Company's foreign subsidiaries are translated in accordance with SFAS No. 52, Foreign Currency Translation. The determination of functional currency is based on the subsidiaries' relative financial and operational independence from the Company. Foreign currency exchange and translation gains or losses for certain wholly owned subsidiaries are credited or charged to the accompanying consolidated statements of operations since the functional currency of the subsidiaries is the U.S. dollar. Gains and losses from foreign currency translation related to entities whose functional currency is their local currency are credited or charged to the cumulative translation adjustment account, included in stockholders' equity in the accompanying consolidated balance sheets.

At June 30, 1996 and 1997, the Company had long-term installments receivable of approximately $7,301,000 and $8,987,000 denominated in foreign currencies. The June 1997 installments receivable mature through January 2001 and have been hedged with specific foreign currency contracts. The Company records a foreign currency gain or loss at the time the Company enters into the foreign currency contract. There have been no material gains or losses recorded relating to hedge contracts for the periods presented.

(i) Net Income (Loss) per Share

Net income (loss) per common and common equivalent share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during each period, assuming conversion of all classes of convertible preferred stock into common stock. Shares of stock issuable pursuant to stock options and warrants have been included, using the treasury stock method, where their effect is dilutive.

In March 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, Earnings per Share. SFAS No. 128 establishes standards for computing and presenting earnings per share and applies to entities with publicly traded common stock or potential common stock. This statement is effective for fiscal years ending after December 15, 1997, and early adoption is not permitted. When adopted, the statement will require restatement of prior years' earnings per share. The Company will adopt this statement for its fiscal year ending June 30, 1998.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

Pro forma calculations of basic and diluted earning per share, as required by SFAS No. 128, are as follows (in thousands, except per share data):

	1995	1996	1997
Net income (loss)	$ 5,416	$ (15,185)	$ 13,155
Basic weighted average shares outstanding	13,770	15,857	19,628
Weighted average common equivalent shares	1,792	-	1,339
Diluted weighted outstanding average shares	15,562	15,857	20,967
Basic earnings per share	$ 0.39	$ (0.96)	$ 0.67
Diluted earnings per share	$ 0.35	$ (0.96)	$ 0.63

(j) Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Concentration of Credit Risk

SFAS No. 105, Disclosure of Information About Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk, requires disclosure of any significant off-balance-sheet and credit risk concentrations. Financial instruments that potentially subject the Company to concentrations of credit risk are principally cash and cash equivalents, investments, accounts receivable and installments receivable. The Company places its cash and cash equivalents and investments in highly rated institutions. Concentration of credit risk with respect to receivables is limited to certain customers (end users and distributors) to which the Company makes substantial sales. To reduce risk, the Company routinely assesses the financial strength of its customers, hedges specific foreign receivables and routinely sells its receivables to financial institutions with and without recourse. As a result, the Company believes that its accounts and installments receivable credit risk exposure is limited. The Company maintains an allowance for potential credit losses but historically has not experienced any significant losses related to individual customers or groups of customers in any particular industry or geographic area.

(l) Financial Instruments

SFAS No. 107, Disclosures About Fair Value of Financial Instruments, requires disclosure about fair value of financial instruments. Financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable and installments receivable. The estimated fair value of these financial instruments approximates their carrying value and, except for accounts receivable and installments receivable, is based primarily on market quotes.

(m) Intangible Assets

Intangible assets consist of goodwill, existing products, trade names and assembled work force of certain acquired entities. Intangible assets are being amortized on a straight-line basis over estimated useful lives of five to twelve years. At each balance sheet date, the Company evaluates the realizability of intangible assets based on profitability and cash flow expectations for the related asset or subsidiary. Based on its most recent analysis, the Company believes that no impairment of intangible assets exists at June 30, 1997. Goodwill (net of accumulated amortization) was approximately $5,003,000 at June 30, 1997. Amortization of goodwill amounted to approximately $40,000 and $279,000 for the years ended June 30, 1996 and 1997, respectively.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

(3) ACQUISITIONS

(a) Dynamic Matrix Control Corporation (DMCC)

On January 5, 1996, the Company acquired 80.7% of the outstanding shares of common stock of DMCC, and on February 8, 1996, the Company acquired the remaining 19.3% of DMCC common stock, for an aggregate purchase price of $20,139,000 in cash and the assumption of certain expenses related to the acquisition. DMCC is a supplier of on-line automation and information management software and services to companies in process manufacturing industries.

For financial statement purposes, this acquisition was accounted for as a purchase, and accordingly, the results of operations of DMCC from January 5, 1996 forward are included in the Company's consolidated statements of operations. The fair market value of assets acquired and liabilities assumed was based on an independent appraisal. The portion of the purchase price allocated to in-process research and development represents projects that had not yet reached technological feasibility and had no alternative future uses as of January 5, 1996. The purchase price was allocated to the fair value of assets acquired and liabilities assumed as follows (in thousands):

DESCRIPTION	AMOUNT	LIFE
Purchased in-process research and development	$ 9,521	-
Existing technology	1,740	5 years
Other intangibles	1,066	5 - 10 years
Building	627	30 years
Uncompleted contracts	596	Life of contracts
	13,550	
Net book value of tangible assets acquired, less liabilities assumed	8,080	
	21,630	
Less -- Deferred taxes	1,491	
	$ 20,139	

For tax purposes, this acquisition was accounted for as a purchase of stock, and due to the different basis in assets for book and tax purposes, deferred taxes were provided for as part of the purchase allocation in accordance with SFAS No. 109.

(b) Setpoint, Inc. (Setpoint)

On February 9, 1996, the Company acquired all of the outstanding shares of Setpoint for an aggregate purchase price of $27,780,000, after final adjustment, in cash and the assumption of certain expenses related to the acquisition. The purchase price was subject to certain downward adjustments based on the net worth of Setpoint as of December 31, 1995. In May 1996, this contingency was resolved, resulting in a $400,000 reduction of purchase price. Setpoint supplies on-line automation and information management software and services to companies in process manufacturing industries.

For financial statement purposes, this acquisition was accounted for as a purchase, and accordingly, the results of operations of Setpoint from February 9, 1996 forward are included in the Company's consolidated statements of operations. The fair market value of assets acquired and liabilities assumed was based on an independent appraisal. The portion of the purchase price allocated to in-process research and development represents projects that had not yet reached technological feasibility and had no alternative future use as of February 9, 1996. The purchase price was allocated to the fair value of assets acquired and liabilities assumed as follows (in thousands):

DESCRIPTION	AMOUNT	LIFE
Purchased in-process research and development	$ 14,900	-
Existing technology	3,308	5 years
Intangible assets	3,127	5 - 10 years
Uncompleted contracts	504	Life of contracts
	21,839	
Net book value of tangible assets acquired, less liabilities assumed	7,984	
	29,823	
Less -- Deferred taxes	2,043	
	$ 27,780	

For tax purposes, this acquisition was accounted for as a purchase of stock, and due to the different basis in assets for book and tax purposes, deferred taxes were provided for as part of the purchase allocation in accordance with SFAS No. 109.

(c) B-JAC International, Inc. (B-JAC)

On October 1, 1996, the Company acquired 100% of the outstanding shares of common stock of B-JAC, a major supplier of detailed heat exchanger modeling software. The Company exchanged 104,162 shares of its common stock valued at $3.4 million for all outstanding shares of B-JAC common stock. The acquisition has been accounted for as a pooling-of-interests. This transaction is immaterial to the Company's financial position and results of operations and, accordingly, the historical financial statements have not been restated.

(d) Process Control Division of Cambridge Control Limited

On October 7, 1996, the Company acquired the process control division of Cambridge Control Limited (the Cambridge Control Division) for $1.9 million, including $300,000 in related costs. The Cambridge Control Division specializes in advanced process control solutions, specifically aimed toward process manufacturing controls applications for the refining, petrochemical and pulp and paper industries.

For financial statement purposes, this acquisition was accounted for as a purchase, and accordingly, the results of operations of the process control division from October 7, 1996 forward are included in the Company's consolidated statements of operations. The fair market value of assets acquired and liabilities assumed was based on an independent appraisal. The portion of the purchase price allocated to in-process research and development represents projects that had not yet reached technological feasibility and had no alternative future use as of October 7, 1996. The purchase price was allocated to the fair value of assets acquired and liabilities assumed as follows (in thousands):

DESCRIPTION	AMOUNT	LIFE
Purchased in-process research and development	$ 764	-
Existing technology	100	5 years
Intangible assets	1,437	5-10 years
	2,301	
Net book value of tangible assets acquired, less liabilities assumed	(411)	
	$ 1,890	

For tax purposes, this acquisition was accounted for as a purchase of assets; accordingly, the basis in assets and liabilities for book and tax purposes are primarily the same.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

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(Continued)

(e) Bechtel Corporation PIMS (Process Industries Modeling System) and Basil Joffe Associates, Inc.

On December 31, 1996, the Company acquired the assets of Bechtel's PIMS (Process Industries Modeling System) division for approximately $4.3 million in cash and an additional $2.2 million in assumed liabilities and acquisition-related costs. On the same date, the Company acquired all the outstanding shares of the related software development organization, Basil Joffee Associates, Inc., for approximately 156,000 shares of its common stock valued at approximately $5,900,000. The proprietary PIMS software developed and sold by these businesses is used by companies in process industries for economic planning and scheduling based on large linear programming models.

For financial statement purposes, these acquisitions have been accounted for as purchases, and accordingly, the results of operations of Bechtel Corporation PIMS and Basil Joffe Associates, Inc. from December 31, 1996 forward are included in the Company's consolidated statements of operations. The fair market value of assets acquired and liabilities assumed was based on an independent appraisal. The portion of the purchase price allocated to in-process research and development represents projects that had not yet reached technological feasibility and had no alternative future use as of December 31, 1996. The purchase price was allocated to the fair value of assets acquired and liabilities assumed as follows (in thousands):

DESCRIPTION	AMOUNT	LIFE
Purchased in-process research and development	$ 7,900	-
Existing technology	500	5 years
Intangible assets	4,093	7 - 12 years
	12,493	
Net book value of tangible assets acquired, less liabilities assumed	(2,018)	
	10,475	
Less -- Deferred taxes	148	
	$ 10,327	

For tax purposes, the acquisition of Process Industries Modeling System is being accounted for as a purchase of assets and the acquisition of Basil Joffe Associates is being accounted for as a purchase of stock. Due to the different basis in assets and liabilities for book and tax purposes, deferred taxes have been provided for as part of the purchase allocation in accordance with SFAS No. 109.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

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(f) Unaudited Pro Forma Combined Results

The following table represents selected unaudited pro forma combined financial information for the Company, DMCC and Setpoint, assuming the companies had combined at the beginning of fiscal 1996 (in thousands, except per share data):

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1996(1)
Pro forma revenue	$ 114,730	$ 142,668
Pro forma net income	$ 4,243	$ 8,599
Pro forma net income per common and common equivalent share	$ 0.27	$ 0.50
Pro forma weighted average common and common equivalent shares outstanding	15,562	17,298

(1) Does not reflect the charge for in-process research and development and nonrecurring acquisition charges.

The pro forma effect of the acquisition of B-JAC, the Cambridge Control Division, Bechtel Corporation PIMS and Basil Joffe Associates, Inc. has not been presented, as it is immaterial.

Pro forma results are not necessarily indicative of either actual results of operations that would have occurred had the acquisitions been made at the beginning of fiscal 1995 or of future results.

(g) Acquisitions Subsequent to Year End

On August 27, 1997 and August 28, 1997, the Company acquired 100% of the outstanding shares of NeuralWare, Inc. (NeuralWare) and The SAST Corporation Limited (SAST) respectively. SAST is a provider of dynamic simulation and operator training services and applications, and NeuralWare is a provider of neural network and related technologies.

The Company completed these acquisitions primarily through the exchange of 314,000 shares of its common stock valued at approximately $12,000,000 for all the outstanding shares of both entities. These acquisitions will be accounted for as poolings-of-interests. As the transactions are immaterial to the Company's financial position and results of operations historical financial statements will not be restated.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

(4) LINE OF CREDIT

The Company has a revolving line-of-credit agreement with a bank, which provides for borrowings up to $30,000,000, subject to existing limitations. The commitment fee for the unused portion of the revolving line of credit ranges from .25% to .50%, based on the financial position of the Company, as defined, and is payable quarterly. At the Company's election, borrowings bear interest on the basis of the applicable LIBOR, as defined (5.69% as of June 30, 1997), or at the bank's prime rate (8.5% as of June 30, 1997). The line is subject to certain covenants, including profitability and operating ratios, as defined. As of June 30, 1997, the Company had an available borrowing base of approximately $30,000,000, of which approximately $744,000 was reserved for certain performance bonds relating to service contracts. The line of credit expires on December 31, 1998.

(5) NOTE PAYABLE

In connection with the acquisition of Setpoint in February 1996, the Company assumed approximately $5,200,000 of intercompany debt payable to the former parent of Setpoint. Upon the closing of the acquisition, the Company paid approximately $1,700,000 of this debt and signed a note for the remaining balance of $3,500,000. The note accrued interest at a rate of 6% per year. This obligation was repaid on June 27, 1996.

(6) CAPITAL LEASE OBLIGATIONS

The Company has numerous capital lease arrangements. These obligations accrue interest at rates ranging from 8.5% to 17.0% and are payable in various monthly installments of principal and interest ranging from $149 to $11,696, expiring on various dates through November 2002.

Maturities are as follows (in thousands):

	AMOUNT
Years Ending June 30,	
1998	$364
1999	196
2000	130
2001	131
2002	54

	$875
Less -- Amount representing interest	125
-- Current maturities	288

	$462
	====

(7) SUBORDINATED NOTES PAYABLE TO A RELATED PARTY

At June 30, 1995, the Company had $4,000,000 outstanding on subordinated notes payable to an outside investor, of which a director of the Company is an officer. The notes were repayable $2,000,000 on April 30, 1997 and $2,000,000 on April 30, 1998, with interest at 9.6%, payable quarterly.

In December 1995 and June 1996, the lender exercised 77,500 and 60,000 of warrants, respectively. The total proceeds due to the Company relating to the exercise of the warrants of $550,000 were recognized as a reduction of principal on the notes. The Company paid the remaining balance of $3,450,000 on June 27, 1996.

(8) PREFERRED STOCK

The Company's Board of Directors is authorized, subject to any limitations prescribed by law, without further stockholder approval, to issue, from time to time, up to an aggregate of 10,000,000 shares of preferred stock in one or more series. Each such series of preferred stock shall have such number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges, which may include, among others, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences and conversion rights, as shall be determined by the Board of Directors in a resolution or resolutions providing for the issuance of such series. Any such series of preferred stock, if so determined by the Board of Directors, may have full voting rights with the common stock or superior or limited voting rights and may be convertible into common stock or another security of the Company.

(9) COMMON STOCK

(a) Authorized and Outstanding Shares

On November 11, 1996, the Company increased its authorized shares of $.10 par value common stock from 30,000,000 to 40,000,000. On February 14, 1997, the Company effected a two for one stock split through the issuance of a stock dividend. All share and per share amounts affected by this split have been retroactively adjusted for all periods presented.

(b) Warrants

During fiscal 1990, the Company issued warrants to purchase 255,000 shares of common stock to the holder of the subordinated notes payable to a related party (see Note 7). In February 1995, warrants to purchase 100,000 shares were exercised and sold as part of the Company's second public offering of stock. The remaining warrants to purchase 155,000 shares of common stock were exercised in December 1995. During 1991, the Company issued an additional warrant to purchase 120,000 shares of common stock to the holder of the subordinated notes payable (see Note 7). These warrants were exercised in June 1996.

During fiscal 1992, the Company issued warrants to purchase 60,000 shares of common stock to a research consultant at an exercise price of $3.34 per share. In February 1995, warrants to purchase 27,000 shares were exercised and sold as part of the Company's offering of common stock. In 1996, warrants to purchase 1,150 shares were exercised. In 1997, warrants to purchase 5,700 shares were exercised and warrants to purchase 774 shares were terminated. The remaining warrants to purchase 25,376 shares of common stock are exercisable through June 30, 2001.

During fiscal 1993, the Company issued warrants to purchase 12,000 shares of common stock to two research consultants at an exercise price of $2.67 per share. In 1997, warrants to purchase 2,250 shares were exercised. The remaining warrants to purchase 9,750 shares of common stock are currently exercisable and expire June 10, 1998.

(c) Stock Options

In July 1987 and August 1988, the Company entered into stock option agreements covering 120,000 shares of common stock. The purchase price under the options is $0.93 to $1.05 based on the fair market value of the common stock on the date of grant. In fiscal 1995, options covering 90,000 shares of common stock at $1.05 per share were exercised. During fiscal 1997, options covering the remaining 30,000 shares of common stock at an exercise price of $0.93 were exercised.

Prior to November 1995, options were granted under the 1988 Nonqualified Stock Option Plan (the 1988 Plan), which provided for the issuance of nonqualified stock options. In November 1995, the Board of Directors approved the establishment of the 1995 Stock Option Plan (the 1995 Plan) and the 1995 Directors Stock Option Plan (the 1995 Directors Plan), which provided for the issuance of incentive stock options and nonqualified options. Under these plans, the Board of Directors may grant stock options to purchase up to an aggregate of 3,827,687 (as adjusted) shares of common stock. Shares available for grant under these plans were increased on July 1, 1996 and 1997 by an amount equal to 5% of the outstanding shares as of the preceding June 30. As a result of the adoption of the 1995 Plan, no additional options may be granted pursuant to the 1988 Plan. In December 1996, the shareholders of the Company approved the establishment of the 1996 Special Stock Option Plan (the 1996 Plan). This plan provides for the issuance of incentive stock options and nonqualified options to purchase up to 500,000 shares of common stock. The exercise price of options are granted at a price not less than 100% of the fair market value of the common stock on the date of grant. Stock options become exercisable over varying periods and expire no later than 10 years from the date of grant.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Continued)

The following is a summary of stock option activity under the 1988 Plan, the 1995 Plan, the 1995 Directors Plan and the 1996 Plan:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, June 30, 1994	1,912,876	$ 2.13
Options granted	270,000	8.45
Options exercised	(357,368)	2.22
Options terminated	(145,336)	2.16
Outstanding, June 30, 1995	1,680,172	3.12
Options granted	1,772,000	17.08
Options exercised	(460,114)	1.90
Options terminated	(51,300)	10.04
Outstanding, June 30, 1996	2,940,758	11.65
Options granted	680,000	31.30
Options exercised	(484,205)	8.21
Options terminated	(157,616)	16.61
Outstanding, June 30, 1997	2,978,937	$ 16.44

As of June 30, 1997 there were 1,923,203 and 342,000 shares of common stock available for grant under the 1995 and 1996 plans, respectively.

In connection with the 1995 acquisition of Industrial Systems, Inc. (ISI), the Company assumed the ISI option plan (the ISI Plan). Under this Plan, the Board of Directors of ISI were entitled to grant either incentive or nonqualified stock options for a maximum of 197,548 shares of common stock (as converted to reflect the pooling of interests and conversion to options to purchase Aspen common stock) to eligible employees, as defined.

Activity under the ISI Plan is as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, June 30, 1994	131,174	$ .45
Exercised	(105,094)	.38
Outstanding, June 30, 1995	26,080	.76
Exercised	(13,040)	.25
Outstanding, June 30, 1996	13,040	1.26
Exercised	(13,040)	1.26
Outstanding, June 30, 1997	-	$ -
Exercisable, June 30, 1997	-	$ -

No future grants are available under this Plan.

The following tables summarize information about stock options outstanding at June 30, 1997:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING AT JUNE 30, 1997	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
$ 1.05	228,660	1.9	$ 1.05
1.83 - 2.66	219,716	4.9	2.62
3.33 - 4.00	260,564	6.9	3.41
8.06 - 10.25	135,700	7.7	9.68
13.12 - 19.12	1,369,295	8.5	16.48
25.00 - 32.50	575,002	9.3	28.02
38.00 - 40.18	190,000	9.5	38.36
	2,978,937		$ 16.44

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

RANGE OF EXERCISE PRICES	OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ 1.05	228,660	$ 1.05
1.83 - 2.66	229,466	2.63
3.33 - 4.00	171,302	3.40
8.50 - 10.25	61,300	9.86
13.62 - 19.12	363,403	16.36
25.00 - 32.50	96,250	27.42
38.00	9,877	38.00
Exercisable, June 30, 1997	1,160,258	$ 9.47
Exercisable, June 30, 1996	962,990	$ 4.58
Exercisable June 30, 1995	1,046,572	$ 2.07

(d) Fair Value of Stock Options

In October 1995, the FASB issued SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123 requires the measurement of the fair value of stock options to be included in the statement of income or disclosed in the notes to financial statements. The Company has determined that it will continue to account for stock-based compensation for employees under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and elect the disclosure-only alternative under SFAS No. 123.

Had compensation cost for the Company's option plan been determined based on the fair value at the grant dates, as prescribed in SFAS No. 123, the Company's net income (in thousands) and net income per share would have been as follows:

	1996	1997
Net (loss) income (in thousands) -		
As reported	$ (15,185)	$ 13,155
Pro forma	(16,421)	8,474
Net (loss) income per share -		
As reported	$ (0.96)	$ 0.63
Pro forma	(1.16)	0.42

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants during the applicable period: no dividend yield and volatility of 58% for all periods; risk-free interest rates of 5.54% to 6.83% for options granted during fiscal 1996 and 6.42% to 6.76% for options granted during fiscal 1997; and a weighted average expected option term of 7.5 years for all periods. The weighted average fair value per share of options granted during 1996 and 1997 was $12.83 and $23.49, respectively.

(e) Employee Stock Purchase Plans

In February 1986, the Company's Board of Directors approved the 1986 Employees' Stock Purchase Plan, under which the Board of Directors could grant stock purchase rights for a maximum of 1,1400,000 shares through November 1995. In December 1995, the Company's Board of Directors approved the 1995 Employees' Stock Purchase Plan, under which the Board of Directors may grant stock purchase rights for a maximum of 500,000 shares through November 2005.

Participants are granted options to purchase shares of common stock on the last business day of each semiannual payment period for 85% of the market price of the common stock on the first or last business day of such payment period, whichever is less. The purchase price for such shares is paid through payroll deductions, and the current maximum allowable payroll deduction is 10% of each eligible employee's compensation. Under the plans, the Company issued 68,500 shares, 47,344 shares and 78,570 shares during fiscal 1995, 1996 and 1997, respectively. As of June 30, 1997, 418,414 shares of common stock were available for future issuance under the 1995 Plan.

In September 1992, the Company's Board of Directors approved the establishment of a UK Employees' Stock Purchase Arrangement for all eligible employees, as defined. Under this arrangement, the rights to purchase shares of the Company's common stock are granted at fair market value, as determined by the Board of Directors. The purchase price for these shares is paid through payroll deductions over a six-month period, and the employees are, in turn, paid a cash bonus equal to 15% of the stock price after applicable taxes are withheld. Under this arrangement, the Company issued 3,564 shares, 2,876 shares and 3,016 shares during fiscal 1995, 1996 and 1997, respectively.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

(10) INCOME TAXES

The Company accounts for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. Under the liability method specified by SFAS No. 109, a deferred tax asset or liability is measured based on the difference between the financial statement and tax bases of assets and liabilities, as measured by the enacted tax rates.

The provisions for income taxes shown in the accompanying consolidated statements of operations are composed of the following (in thousands):

	YEARS ENDED JUNE 30,		
	1995	1996	1997
Federal -			
Current	$ 1,132	$4,512	$ 6,550
Deferred	1,949	(295)	1,232
State -			
Current	-	892	901
Deferred	485	-	224
Foreign -			
Current	159	505	692
	$ 3,725	$5,614	$ 9,599

The provision for income taxes differs from the federal statutory rate due to the following:

	YEARS ENDED JUNE 30,		
	1995	1996(1)	1997(1)
Federal tax at statutory rate	34.0%	35.0%	35.0%
State income tax, net of federal tax benefit	5.3	5.0	5.2
Foreign tax	(4.1)	2.4	(1.8)
Tax credits generated	(2.5)	(8.2)	(4.2)
Permanent differences, net	5.6	4.3	2.6
Valuation allowance and other	2.5	(.7)	(.9)
Provision for income taxes	40.8 %	37.8%	35.9%

(1) Calculated based on pretax income, before nondeductible charges for in-process research and development, of $14,850,000 and $26,704,000 for 1996 and 1997, respectively.

The components of the net deferred tax liability recognized in the accompanying consolidated balance sheets are as follows (in thousands):

	JUNE 30, 1996	JUNE 30, 1997
Deferred tax assets	$ 7,418	$ 6,260
Deferred tax liabilities	(15,189)	(14,000)
	(7,771)	(7,740)
Valuation allowance	(1,425)	-
	$(9,196)	$(7,740)

The approximate tax effect of each type of temporary difference and carryforwards are as follows (in thousands):

	JUNE 30, 1996	JUNE 30, 1997
Revenue related	$(6,974)	$(7,665)
Foreign operating losses	1,425	1,063
Nondeductible reserves and accruals	1,523	1,034
Intangible assets	(3,819)	(2,241)
Other temporary differences	74	69
	$(7,771)	$(7,740)

The decrease in valuation allowance during 1997 resulted from the utilitization of previously reserved tax assets. The foreign operating loss carryforwards expire at various dates through 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

(11) OPERATING LEASES

The Company leases its facilities and various office equipment under noncancelable operating leases with terms in excess of one year. Rent expense charged to operations was approximately $2,227,000, $3,346,000 and $5,015,000 for the years ended June 30, 1995, 1996 and 1997, respectively. Future minimum lease payments under these leases as of June 30, 1997 are as follows (in thousands):

	AMOUNT
Year Ending June 30,	
1998	$ 4,266
1999	3,865
2000	3,704
2001	3,390
2002	3,379
Thereafter	3,954
	$22,558

(12) SALE OF INSTALLMENTS RECEIVABLE

The Company sold, with limited recourse, certain of its installment contracts to two financial institutions for $28,895,000 and $30,210,000 during fiscal 1996 and 1997, respectively. The financial institutions have partial recourse to the Company only upon nonpayment by the customer under the installments receivable. The amount of recourse is determined pursuant to the provisions of the Company's contracts with the financial institutions and varies depending on whether the customers under the installment contracts are foreign or domestic entities. Collections of these receivables reduce the Company's recourse obligation, as defined.

At June 30, 1997, the balance of the uncollected principal portion of the contracts sold with partial recourse was approximately $57,783,000. The Company's potential recourse obligations related to these contracts is approximately $6,594,000. In addition, the Company is obligated to pay additional costs to the financial institutions in the event of default by the customer.

(13) COMMITMENTS

The Company has entered into agreements with six executive officers providing for the payment of cash and other benefits in certain events of their voluntary or involuntary termination within three years following a change in control. Payment under these agreements would consist of a lump sum equal to approximately three years of each executive's annual taxable compensation. The agreements also provide that the payment would be increased in the event that it would subject the officer to excise tax as a parachute payment under the federal tax code. The increase would be equal to the additional tax liability imposed on the executive as a result of the payment.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

(14) RETIREMENT PLAN

The Company maintains a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code covering all eligible employees, as defined. Under the plan, a participant may elect to defer receipt of a stated percentage of his or her compensation, subject to limitation under the Internal Revenue Code, which would otherwise be payable to the participant for any plan year. The Company may make discretionary contributions to this Plan. No such contributions were made during 1995, 1996 and 1997. During 1997, the plan was modified to provide, among other changes, for the Company to make matching contributions equal to 25% of pretax employee contributions up to a maximum of 6% of an employee's salary. During 1997, the Company made matching contributions of approximately $385,000.

The Company does not provide postretirement benefits to any employees as defined under SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions.

(15) JOINT VENTURES

In May 1993, the Company entered into an Equity Joint Venture agreement with China Petrochemical Technology Company to form a limited liability company governed by the laws of the People's Republic of China. This company has the nonexclusive right to distribute the Company's products within the People's Republic of China. The Company invested $300,000 on August 6, 1993, which represents a 30% equity interest in the joint venture.

In November 1993, the Company invested approximately $100,000 in a Cyprus-based corporate joint venture, representing approximately a 14% equity interest. The Company had a two-year option to purchase additional shares in the joint venture corporation, which would increase its equity interest to 22.5%. In December 1995, the Company exercised its option to acquire these additional shares for approximately $125,000.

The Company is accounting for these investments using the equity method. The net investments are included in other assets in the accompanying consolidated balance sheets. In the accompanying consolidated statements of operations for the years ended June 30, 1995, 1996 and 1997, the Company has recognized approximately $22,000, $10,000 and $26,000, respectively, in net income as its portion of the income from these joint ventures.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

(16) ACCRUED EXPENSES

Accrued expenses in the accompanying consolidated balance sheets consist of the following (in thousands):

	JUNE 30, 1996	JUNE 30, 1997
Income taxes	$ 2,728	$ 6,711
Payroll and payroll-related	4,743	3,302
Royalties and outside commissions	4,149	2,051
Other	4,392	4,508
	$16,012	$16,572

(17) RELATED PARTY TRANSACTION

Smart Finance & Company, a company of which a director of the Company is the President provides advisory services to the Company from time to time. In fiscal 1996 and 1997, payments of approximately $72,000 and $222,000, respectively, were made by the Company to Smart Finance & Company as compensation for services rendered.

(18) FINANCIAL INFORMATION BY GEOGRAPHIC AREA

Domestic and export sales as a percentage of total revenues are as follows:

	YEARS ENDED JUNE 30, 1995	1996	1997
United States	48.1%	54.6%	47.7%
Europe	30.6	26.7	32.4
Japan	12.3	9.6	9.2
Other	9.0	9.1	10.7
	100.0%	100.0%	100.0%

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

(Continued)

Revenues, income (loss) from operations and identifiable assets for the Company's United States, European and Asian operations are as follows (in thousands). The Company has intercompany distribution arrangements with its subsidiaries. The basis for these arrangements, disclosed below as transfers between geographic locations, is cost plus a specified percentage for services and a commission rate for sales generated in the geographic region.

	UNITED STATES	EUROPE	ASIA	ELIMINATIONS	CONSOLIDATED
Year ended June 30, 1995 -					
Revenues	$ 56,951	$ 547	$ --	$ --	$ 57,498
Transfers between geographic locations	--	10,912	4,463	(15,375)	--
Total revenues	$ 56,951	$ 11,459	$ 4,463	$ (15,375)	$ 57,498
Income from operations	$ 5,126	$ 1,112	$ 313	$ --	$ 6,551
Identifiable assets	$ 71,143	$ 4,087	$ 416	$ 51	$ 75,697
Year ended June 30, 1996 -					
Revenues	$ 100,958	$ 2,643	$ 8	$ --	$ 103,609
Transfers between geographic locations	--	13,474	4,645	(18,119)	--
Total revenues	$ 100,958	$ 16,117	$ 4,653	$ (18,119)	$ 103,609
Income (loss) from operations	$ (11,449)	$ (267)	$ 15	$ --	$ (11,701)
Identifiable assets	$ 183,550	$ 11,172	$ 414	$ (45,948)	$ 149,188
Year ended June 30, 1997 -					
Revenues	$ 171,644	$ 8,611	$ 44	$ --	$ 180,299
Transfers between geographic locations	--	22,812	8,099	(30,911)	--
Total revenues	$ 171,644	$ 31,423	$ 8,143	$ (30,911)	$ 180,299
Income (loss) from operations	$ 14,620	$ 2,578	$ 594	$ --	$ 17,792
Identifiable assets	$ 221,544	$ 7,094	$ 1,191	$ (53,391)	$ 176,438

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To Aspen Technology, Inc.:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Aspen Technology, Inc. and subsidiaries, included in this Form 10-K, and have issued our report thereon dated August 13, 1997. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a)-2 is the responsibility of the Company's management, is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein, in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
August 13, 1997 (Except
with respect to the matters
discussed in footnote 3(g)
as to which the date is
August 28, 1997)

SCHEDULE II

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE, BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	OTHER	BALANCE, END OF PERIOD
ALLOWANCE FOR DOUBTFUL ACCOUNTS:					
June 30, 1995	$ 84,000	$ -	$ -	$ -	$ 84,000
June 30, 1996	84,000	200,000	(2,315)	449,000(1)	730,685
June 30, 1997	730,685	-	(222,850)	211,882(2)	719,717

(1) Relates to amounts acquired in the acquisitions of Setpoint and DMCC.
(2) Relates to amounts acquired in the acquisitions of B-JAC and Bechtel PIMS.

EXHIBIT 10.23

ASPEN TECHNOLOGY, INC.

1996 SPECIAL STOCK OPTION PLAN

1. Definitions. As used in this 1996 Special Stock Option Plan of Aspen Technology, Inc., the following terms shall have the following meanings:

1.1. Change in Corporate Control means the date on which any individual, corporation, partnership or other person or entity (together with its "Affiliates" and "Associates," as defined in Rule 12b-2 under the Securities Exchange Act of 1934) "beneficially owns" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) in the aggregate 20% or more of the outstanding shares of capital stock of the Company entitled to vote generally in the election of directors of the Company.

1.2. Code means the Internal Revenue Code of 1986, as amended.

1.3. Committee means the Compensation Committee of the Company's Board of Directors.

1.4. Company means Aspen Technology, Inc., a Massachusetts corporation.

1.5. Date of Acquisition means the closing date of an acquisition, and if a business is acquired in more than one purchase transaction, the last closing date to occur, provided such closings are related transactions under a plan for the acquisition of such business by the Company.

1.6. Director means any person on the board of directors of an acquired business, excluding however persons who were employed by the Company prior to and on the date of acquisition of such business by the Company.

1.7. Employee means any person employed by an acquired business prior to and on the date of acquisition of such business by the Company.

1.8. Fair Market Value means the value of a share of Stock of the Company on any date as determined by the Committee.

1.9. Grant Date means the date on which an Option is granted, as specified in Section 7.

1.10. Incentive Option means an option which qualifies for tax treatment under Section 422 of the Code.

1.11. Major Shareholder means a person who, within the meaning of Section 422(b)(6) of the Code, is deemed to own stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or of its parent or subsidiary corporations).

1.12. Option means an option to purchase shares of the Stock granted under the Plan.

1.13. Option Agreement means an agreement between the Company and an Optionee, setting forth the terms and conditions of an Option.

1.14. Option Price means the price paid by an Optionee for a share of Stock under this Plan.

1.15. Option Share means any share of Stock of the Company transferred to an Optionee upon exercise of an Option pursuant to this Plan.

1.16. Optionee means a person eligible to receive an Option, as provided in Section 6, to whom an Option shall have been granted under the Plan.

1.17. Plan means this 1996 Special Stock Option Plan of the Company.

1.18. Related Corporation means a Parent Corporation or a Subsidiary Corporation, each as defined in Section 424 of the Code.

1.19. Stock means common stock, $.10 par value, of the Company.

2. Purpose. This 1996 Special Stock Option Plan is intended to encourage ownership of the Stock by Employees, consultants and Directors of businesses acquired by the Company and to provide additional incentive for them to promote the success of the Company's business. The Plan is intended to be an incentive stock option plan within the meaning of Section 422 of the Code, but not all the Options must be Incentive Options.

3. Term of the Plan. Options under the Plan may be granted not later than November 30, 2006.

4. Stock Subject to the Plan. Subject to the provisions of Section 16 of the Plan, the number of shares of the Stock attributable to the exercise of Options granted under the Plan plus the number of shares then issuable upon exercise of outstanding options granted under the Plan shall at no time exceed 250,000. Shares to be issued upon the exercise of Options granted under the Plan may be either authorized but unissued shares or shares held by the Company in its treasury. If any Option expires or terminates for any reason without having been exercised in full, the shares not purchased thereunder shall again be available for Options thereafter to be granted.

5. Administration. The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make the following determinations with respect to each Option to be granted by the Company: (a) the Employee or consultant or Director of an acquired business to receive the Option; (b) the time of granting the Option; (c) the number of shares subject thereto; (d) the Option Price; (e) the Option period; and (f) if the Optionee is an employee after the acquisition is effected, whether the Option is an Incentive Option. In making such determinations, the Committee may take into account the nature of the services rendered by the Employees and consultants and Directors, their present and potential contributions to the success of the Company and its Related Corporations, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Option Agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations on the matters referred to in this Section 5 shall be conclusive.

6. Eligibility. An Option may be granted only to an Employee, consultant or Director of a business acquired by the Company. A Major Shareholder shall be eligible to receive an Incentive Option only if the Option Price is at least 110% of the Fair Market Value on the Grant Date and only if the Incentive Option expires, to the extent not theretofore exercised, on the fifth anniversary of the Grant Date.

7. Time of Granting Options. The granting of an Option shall take place at the time specified by the Committee, but not later than six months after the Date of Acquisition with respect to which the grant is made. Only if expressly so provided by the Committee, shall the Grant Date be the date on which an Option Agreement shall have been duly executed and delivered by the Company and the Optionee.

8. Option Price. The Option Price under each Incentive Option shall be not less than 100% of the Fair Market Value of the Stock on the Grant Date except that the Option Price under an Incentive Option granted to a Major Shareholder must be not less than 110% of the Fair Market Value.

9. Option Period. No Option may be exercised later than the tenth anniversary of the Grant Date or, for an Incentive Option granted to a Major Shareholder, the fifth anniversary of the Grant Date. Unless the Committee otherwise determines, all Options granted hereunder shall permit the Optionee to purchase, cumulatively, one-sixteenth of the Option Shares at the end of each calendar quarter beginning after the Grant Date. Upon a Change in Corporate Control, each outstanding Option shall immediately become fully exercisable.

10. Maximum Size of Option. To the extent that the aggregate Fair Market Value of Stock for which an Incentive Option becomes exercisable by an Optionee for the first time in any calendar year exceeds $100,000, the Option shall be treated as a

nonstatutory option, and not an Incentive Option. For purposes of this Section 10, all Options granted to an Optionee by the Company shall be considered in the order in which they were granted, and the Fair Market Value shall be determined as of the Grant Dates.

11. Exercise of Option. An Option may be exercised only by giving written notice, in the manner provided in Section 20 hereof, specifying the number of shares as to which the Option is being exercised, accompanied by (a) full payment for such shares in the form of check or bank draft payable to the order of the Company, or (b) certificates representing shares of the Stock with a current Fair Market Value equal to the Option Price of the shares to be purchased, or (c) irrevocable instructions to a brokerage firm to sell a sufficient number of the Option Shares to generate the full exercise price plus all applicable withholding taxes and to pay over to the Company such proceeds of sale. Receipt by the Company of such notice and payment shall constitute the exercise of the Option or a part thereof. The Company shall thereafter deliver or cause to be delivered to the Optionee a certificate or certificates for the number of shares then being purchased by the Optionee. Such shares shall be fully paid and nonassessable. If any law or applicable regulation of the Securities and Exchange Commission or other body having jurisdiction in the premises shall require the Company or the Optionee to take any action in connection with shares being purchased upon exercise of the option, exercise of the option and delivery of the certificate or certificates for such shares shall be postponed until completion of the necessary action, which shall be taken at the Company's expense.

12. Notice of Disposition of Stock Prior to Expiration of Specified Holding Period. The Company may require that the person exercising an Incentive Option give a written representation to the Company, satisfactory in form and substance to its counsel and upon which the Company may reasonably rely, that he or she will report to the Company any disposition of shares purchased upon exercise prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code. If and to the extent that the disposition imposes upon the Company federal, state, local or other withholding tax requirements, or any such withholding is required to secure for the Company an otherwise available tax deduction, the Company shall have the right to require that the person making the disposition remit to the Company an amount sufficient to satisfy those requirements.

13. Transferability of Options. Options shall not be transferable, otherwise than by will or the laws of descent and distribution, and may be exercised during the life of the Optionee only by the Optionee.

14. Stock Purchase Agreement. Each Optionee exercising an option, at the request of the Company, will be required to sign a Stock Purchase Agreement representing in form satisfactory to counsel for the Company that he or she will not transfer, sell or otherwise dispose of the Option Shares at any time purchased by him or her, upon the exercise of any portion of the Option, in a manner which would violate the Securities Act of 1933, as amended, and the regulations of the Securities and Exchange Commission thereunder; and the Company may, at its discretion, make a notation on any

certificates issued upon exercise of options to the effect that such certificate may not be transferred except after receipt by the Company of an opinion of counsel satisfactory to it to the effect that such transfer will not violate such Act and such regulations, and may issue "stop transfer" instructions to its transfer agent, if any, and make a "stop transfer" notation on its books as appropriate. Such Stock Purchase Agreement shall include such other provisions as the Committee may determine are appropriate.

15. Termination of Employment. In the event that the Optionee's employment or consulting relationship is terminated for any reason other than death or the Optionee's employer is no longer the Company or a Related Corporation, the Option, to the extent exercisable at termination, may be exercised by the Optionee at any time within 30 days after termination unless terminated earlier by its terms. If termination results from the death of the Optionee, the Option, to the extent exercisable at the date of death, may be exercised by the person to whom the Option is transferred by will or the applicable laws of descent and distribution, at any time within 12 months after the date of death, unless terminated earlier by its terms. Military or sick leave shall not be deemed a termination of employment provided that it does not exceed the longer of 90 days or the period during which the absent employee's re-employment rights are guaranteed by statute or by contract.

16. Adjustment of Number of Shares. Each Option Agreement shall provide that in the event of any capital adjustments including stock splits, stock contractions, stock dividends, reclassifications, exchanges and substitutions, occurring after the date of the option and prior to the exercise in full of the option, the number of shares for which the option may be exercised and the price per share shall be proportionately adjusted and in the event of any resulting changes in the outstanding Stock, the number of shares of the Stock available for the purpose of the Plan as stated in Section 4 hereof shall be correspondingly adjusted.

17. Stock Reserved. The Company shall at all times during the term of the Option reserve and keep available such number of shares of the Stock as will be sufficient to satisfy the requirements of this Plan and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

18. Limitation of Rights in the Option Shares. An Optionee shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the Option Shares except to the extent that the Option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued therefor and delivered to the Optionee.

19. Termination and Amendment of the Plan. The Board of Directors of the Company may at any time terminate the Plan or make such amendment to the Plan as it shall deem advisable, provided that, except as provided in Section 16, it may not, without the approval by the holders of a majority of the Stock, change the classes of persons eligible to receive Options, increase the maximum number of shares available for option under the Plan or extend the period during which Options may be granted or exercised.

No termination or amendment of the Plan may, without the consent of the Optionee to whom any Option shall theretofore have been granted, adversely affect the rights of such Optionee under such Option. The Company may also, in its discretion, permit any option to be exercised prior to the date on which it vests.

20. Notices. Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered in hand, if to the Company, to its Chief Financial Officer at Ten Canal Park, Cambridge, MA 02141 and, if to the Optionee, to the address as the Optionee shall last have furnished to the Company.

EXHIBIT 10.24

CHANGE IN CONTROL AGREEMENT

AGREEMENT dated as of August 12, 1997 by and between Aspen Technology, Inc., a Massachusetts corporation (the "Company"), and Lawrence B. Evans (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel; and

WHEREAS, the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties with the Company without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control (as defined herein);

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other valuable consideration, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last section hereof.

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through June 30, 2002. Thereafter, this Agreement shall be automatically renewed for successive one year terms unless the Company sends written notice of termination to the Executive at least 60 days before the expiration date of this Agreement, which termination will be effective at that expiration date. If a Change in Control shall have occurred during the term of this Agreement, however, this Agreement shall continue in effect for a period of three years beyond the last day of the month in which the Change in Control occurred. Notwithstanding the foregoing provisions of this Section 2, this Agreement shall terminate, unless earlier terminated in accordance with this Agreement, (i) one year after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee, upon recommendation of the Company's chief executive officer, has voted to terminate this Agreement or (ii) if earlier, immediately after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee has determined that the Executive's level of responsibility (other than reporting responsibility) has substantially changed from the Executive's current level of responsibility,

in either case only if the notification occurs prior to a Potential Change in Control that results in a Change in Control.

3. Payments After Change in Control.

3.1 If the Executive's employment shall be terminated for any reason following a Change in Control and during the term of this Agreement, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect at the time the Notice of Termination is given, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

3.2 Subject to Section 3.3, the Company shall pay to the Executive the payments described in this Section 3.2 (the "Severance Payments") upon the termination of the Executive's employment following a Change in Control and during the term of this Agreement, in addition to the payments and benefits described in Section 3.1, unless such termination is (i) by the Company for Cause, (ii) by reason of death, (iii) by the Executive without Good Reason, or (iv) after the Executive shall have attained age 70. In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefits otherwise payable to the Executive under any then existing broad-based employee severance plan, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to three times the sum of (x) the higher of the Executive's annual base salary in effect immediately prior to the occurrence of the event or circumstance upon which the Notice of Termination is based or in effect immediately prior to the Change in Control and (y) the higher of the average of the annual bonuses paid to the Executive for the three years (or the number of years employed, if less) immediately preceding the occurrence of the event or circumstance upon which the Notice of Termination is based or the Change in Control. In lieu of any further life, disability, accident and health insurance benefits otherwise due to the Executive, the Company shall pay to the Executive a lump sum amount, in cash, equal to the cost to the Company (as determined by the Company in good faith with reference to its most recent actual experience) of providing such benefits, to the extent that the Executive is eligible to receive such benefits immediately prior to the Notice of Termination, for a period of three years commencing on the Date of Termination.

3.3 The payments provided for in Section 3.2 shall be made not later than the fifth day following the Date of Termination.

3.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking to obtain or enforce any benefit or right provided by this Agreement, payable within five business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

4. Certain Additional Payments by the Company.

4.1 Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (all such payments and benefits, including the Severance Payments, the "Total Payments") is determined to be subject (in whole or part) to the Excise Tax, then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including without limitation any income taxes and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount equal to the Total Payments. Notwithstanding the foregoing provisions of this Section 4.1, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Total Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt thereof would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Total Payments shall be reduced to the Reduced Amount.

4.2 All determinations required to be made under this Section 4, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's accountants or such other certified public accounting firm reasonably acceptable to the Company as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive.

5. Termination Procedures.

5.1 Notice of Termination. After a Change in Control and during the term of this Agreement, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 8. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the

affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in the definition of Cause.

5.2 Date of Termination. "Date of Termination", with respect to any purported termination of the Executive's employment after a Change in Control and during the term of this Agreement, shall mean the date specified in the Notice of Termination (which, in the case of a termination by the Company otherwise than for Cause, shall not be less than thirty days and, in the case of a termination by the Executive, shall not be less than fifteen days nor more than sixty days, respectively, from the date such Notice of Termination is given).

6. No Mitigation. If the Executive's employment by the Company is terminated during the term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 3. Further, the amount of any payment or benefit provided for in Section 3 shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

7. Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the term of this Agreement, the Executive will remain in the employ of the Company until the earliest of (i) a date which is six months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason (determined by treating the Potential Change in Control as a Change in Control in applying the definition of Good Reason), by reason of death or Retirement; or (iv) the termination by the Company of the Executive's employment for any reason.

8. Successors; Binding Agreement.

8.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the

Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

8.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's representatives.

9. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:
Aspen Technology, Inc.
Ten Canal Park
Cambridge, MA 02141

Attention: General Counsel

To the Executive:
Lawrence B. Evans
29 Coolidge Hill Road
Cambridge, MA 02138

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or

discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. Except as expressly provided herein, no waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts, and this Agreement shall be an instrument under seal. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed.

11. Settlement of Disputes; Arbitration. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator' s award in any court having jurisdiction. The Executive shall, however, be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

12. Definitions. For purposes of this Agreement, the following terms shall have the-meanings indicated below:

"Beneficial owner" shall have the meaning defined in Rule 13d-3 under the Exchange Act.

"Board" shall mean the Board of Directors of the Company.

"Cause" for termination by the Company of the Executive's employment, after any Change in Control, shall mean (i) the willful and continued failure by the Executive to

substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Company or any of its subsidiaries, monetarily or otherwise. No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) Continuing Directors constitute two-thirds or less of the membership of the Board, whether as the result of a proxy contest or for any other reason or reasons; or

(b) Any Person is or becomes the Beneficial owner, directly or indirectly, of securities of the Company representing twenty-five percent or more of the combined voting power of the Company's then outstanding voting securities; or

(c) There is a change in control of the Company of a nature that would be required to be reported on Form 8-K or item 6(e) of Schedule 14A of Regulation 14A or any similar item, schedule or form under the Exchange Act, as in effect at the time of the change, whether or not the Company is then subject to such reporting requirement, including without limitation any merger or consolidation of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty-one percent or more of the combined voting power of the voting securities (entitled to vote generally for the

election of directors) of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation and which would result in those persons who are Continuing Directors immediately prior to such merger or consolidation constituting more than two-thirds of the membership of the Board or the board of such surviving or parent entity immediately after, or subsequently at any time as contemplated by or as a result of, such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the company (or similar transaction) in which no Person acquired twenty-five percent or more of the combined voting power of the Company's then outstanding securities; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Company" shall mean Aspen Technology, Inc. and any successor to its business and/or assets which assumes or agrees to perform this Agreement, by operation of law or otherwise.

"Compensation Committee" shall mean the Compensation and Nominating Committee of the Board.

"Continuing Director" shall mean any director (i) who has continuously been a member of the Board since not later than the date of a Potential Change in Control or (ii) who is a successor of a director described in clause (i), if such successor (and any intervening successor) shall have been recommended or elected to succeed a Continuing Director by a majority of the then Continuing Directors.

"Date of Termination" shall have the meaning stated in Section 5.2 hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Excise Tax" shall mean the tax imposed by Section 4999 of the Code.

"Executive" shall mean the individual named in the first paragraph of this Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) of any one of the following acts or failures to act by the Company unless, in the case of any act or failure to act described in paragraph (a), (e), (f) or (g) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof or, in the case of paragraph (c) below, such act is not objected to in writing by the Executive within four months after notification by the Company to the Executive of the Company's intention to take the action contemplated by such paragraph (c):

(a) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company or a meaningful alteration, adverse to the Executive, in the nature or status of the Executive's responsibilities (other than reporting responsibilities) from those in effect immediately prior to the Change in Control;

(b) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company;

(c) the Company's requiring the Executive to be based anywhere other than the Boston Metropolitan Area (or, if different, the metropolitan area in which the Company's principal executive offices are located immediately prior to the Change in Control) except for required travel on the Company business to an extent substantially consistent with the Executive's present business travel obligations;

(d) the failure by the Company, without the Executive's consent, to pay to the Executive any portion of the Executive's current compensation, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen days of the date such compensation is due;

(e) the failure by the Company to continue in effect any compensation plan in which the Executive participates

immediately prior to the Change in Control which is material to the Executive's total compensation, or the failure by the Company to continue the Executive's participation therein on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(f) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company' s pension, life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(g) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 5.1.

"Notice of Termination" shall have the meaning stated in Section 5.1.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d). thereof; however, a Person shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to a registered offering of such securities in accordance with an agreement with the Company, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

"Potential Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(c) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifteen percent or more of the combined voting power of the Company's then outstanding securities (entitled to vote generally for the election of directors); or

(d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

"Severance Payments" shall mean those payments described in Section 3.2 hereof.

"Total Payments" shall mean those payments described in Section 4 hereof.

IN WITNESS WHEREOF, the Company and the Executive have executed and delivered this Agreement on the date first written above.

ASPEN TECHNOLOGY, INC.

By:_______________________________________

____
Lawrence B. Evans

Exhibit 10.25

CHANGE IN CONTROL AGREEMENT

AGREEMENT dated as of August 12, 1997 by and between Aspen Technology, Inc., a Massachusetts corporation (the "Company"), and Joseph F. Boston (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel; and

WHEREAS, the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties with the Company without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control (as defined herein);

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other valuable consideration, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last section hereof.

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through June 30, 2002. Thereafter, this Agreement shall be automatically renewed for successive one year terms unless the Company sends written notice of termination to the Executive at least 60 days before the expiration date of this Agreement, which termination will be effective at that expiration date. If a Change in Control shall have occurred during the term of this Agreement, however, this Agreement shall continue in effect for a period of three years beyond the last day of the month in which the Change in Control occurred. Notwithstanding the foregoing provisions of this Section 2, this Agreement shall terminate, unless earlier terminated in accordance with this Agreement, (i) one year after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee, upon recommendation of the Company's chief executive officer, has voted to terminate this Agreement or (ii) if earlier, immediately after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee has determined that the Executive's level of responsibility (other than reporting responsibility) has substantially changed from the Executive's current level of responsibility,

in either case only if the notification occurs prior to a Potential Change in Control that results in a Change in Control.

3. Payments After Change in Control.

3.1 If the Executive's employment shall be terminated for any reason following a Change in Control and during the term of this Agreement, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect at the time the Notice of Termination is given, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

3.2 Subject to Section 3.3, the Company shall pay to the Executive the payments described in this Section 3.2 (the "Severance Payments") upon the termination of the Executive's employment following a Change in Control and during the term of this Agreement, in addition to the payments and benefits described in Section 3.1, unless such termination is (i) by the Company for Cause, (ii) by reason of death, (iii) by the Executive without Good Reason, or (iv) after the Executive shall have attained age 70. In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefits otherwise payable to the Executive under any then existing broad-based employee severance plan, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to three times the sum of (x) the higher of the Executive's annual base salary in effect immediately prior to the occurrence of the event or circumstance upon which the Notice of Termination is based or in effect immediately prior to the Change in Control and (y) the higher of the average of the annual bonuses paid to the Executive for the three years (or the number of years employed, if less) immediately preceding the occurrence of the event or circumstance upon which the Notice of Termination is based or the Change in Control. In lieu of any further life, disability, accident and health insurance benefits otherwise due to the Executive, the Company shall pay to the Executive a lump sum amount, in cash, equal to the cost to the Company (as determined by the Company in good faith with reference to its most recent actual experience) of providing such benefits, to the extent that the Executive is eligible to receive such benefits immediately prior to the Notice of Termination, for a period of three years commencing on the Date of Termination.

3.3 The payments provided for in Section 3.2 shall be made not later than the fifth day following the Date of Termination.

3.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking to obtain or enforce any benefit or right provided by this Agreement, payable within five business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

4. Certain Additional Payments by the Company.

4.1 Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (all such payments and benefits, including the Severance Payments, the "Total Payments") is determined to be subject (in whole or part) to the Excise Tax, then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including without limitation any income taxes and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount equal to the Total Payments. Notwithstanding the foregoing provisions of this Section 4.1, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Total Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt thereof would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Total Payments shall be reduced to the Reduced Amount.

4.2 All determinations required to be made under this Section 4, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's accountants or such other certified public accounting firm reasonably acceptable to the Company as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive.

5. Termination Procedures.

5.1 Notice of Termination. After a Change in Control and during the term of this Agreement, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 8. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the

affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in the definition of Cause.

5.2 Date of Termination. "Date of Termination", with respect to any purported termination of the Executive's employment after a Change in Control and during the term of this Agreement, shall mean the date specified in the Notice of Termination (which, in the case of a termination by the Company otherwise than for Cause, shall not be less than thirty days and, in the case of a termination by the Executive, shall not be less than fifteen days nor more than sixty days, respectively, from the date such Notice of Termination is given).

6. No Mitigation. If the Executive's employment by the Company is terminated during the term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 3. Further, the amount of any payment or benefit provided for in Section 3 shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

7. Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the term of this Agreement, the Executive will remain in the employ of the Company until the earliest of (i) a date which is six months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason (determined by treating the Potential Change in Control as a Change in Control in applying the definition of Good Reason), by reason of death or Retirement; or (iv) the termination by the Company of the Executive's employment for any reason.

8. Successors; Binding Agreement.

8.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the

Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

8.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's representatives.

9. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:
Aspen Technology, Inc.
Ten Canal Park
Cambridge, MA 02141

Attention: General Counsel

To the Executive:
Joseph F. Boston
19 Battle Flagg Road
Bedford, MA 01730

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or

discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. Except as expressly provided herein, no waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts, and this Agreement shall be an instrument under seal. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed.

11. Settlement of Disputes; Arbitration. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator' s award in any court having jurisdiction. The Executive shall, however, be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

12. Definitions. For purposes of this Agreement, the following terms shall have the-meanings indicated below:

"Beneficial owner" shall have the meaning defined in Rule 13d-3 under the Exchange Act.

"Board" shall mean the Board of Directors of the Company.

"Cause" for termination by the Company of the Executive's employment, after any Change in Control, shall mean (i) the willful and continued failure by the Executive to

substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Company or any of its subsidiaries, monetarily or otherwise. No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) Continuing Directors constitute two-thirds or less of the membership of the Board, whether as the result of a proxy contest or for any other reason or reasons; or

(b) Any Person is or becomes the Beneficial owner, directly or indirectly, of securities of the Company representing twenty-five percent or more of the combined voting power of the Company's then outstanding voting securities; or

(c) There is a change in control of the Company of a nature that would be required to be reported on Form 8-K or item 6(e) of Schedule 14A of Regulation 14A or any similar item, schedule or form under the Exchange Act, as in effect at the time of the change, whether or not the Company is then subject to such reporting requirement, including without limitation any merger or consolidation of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty-one percent or more of the combined voting power of the voting securities (entitled to vote generally for the

election of directors) of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation and which would result in those persons who are Continuing Directors immediately prior to such merger or consolidation constituting more than two-thirds of the membership of the Board or the board of such surviving or parent entity immediately after, or subsequently at any time as contemplated by or as a result of, such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the company (or similar transaction) in which no Person acquired twenty-five percent or more of the combined voting power of the Company's then outstanding securities; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Company" shall mean Aspen Technology, Inc. and any successor to its business and/or assets which assumes or agrees to perform this Agreement, by operation of law or otherwise.

"Compensation Committee" shall mean the Compensation and Nominating Committee of the Board.

"Continuing Director" shall mean any director (i) who has continuously been a member of the Board since not later than the date of a Potential Change in Control or (ii) who is a successor of a director described in clause (i), if such successor (and any intervening successor) shall have been recommended or elected to succeed a Continuing Director by a majority of the then Continuing Directors.

"Date of Termination" shall have the meaning stated in Section 5.2 hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Excise Tax" shall mean the tax imposed by Section 4999 of the Code.

"Executive" shall mean the individual named in the first paragraph of this Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) of any one of the following acts or failures to act by the Company unless, in the case of any act or failure to act described in paragraph (a), (e), (f) or (g) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof or, in the case of paragraph (c) below, such act is not objected to in writing by the Executive within four months after notification by the Company to the Executive of the Company's intention to take the action contemplated by such paragraph (c):

(a) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company or a meaningful alteration, adverse to the Executive, in the nature or status of the Executive's responsibilities (other than reporting responsibilities) from those in effect immediately prior to the Change in Control;

(b) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company;

(c) the Company's requiring the Executive to be based anywhere other than the Boston Metropolitan Area (or, if different, the metropolitan area in which the Company's principal executive offices are located immediately prior to the Change in Control) except for required travel on the Company business to an extent substantially consistent with the Executive's present business travel obligations;

(d) the failure by the Company, without the Executive's consent, to pay to the Executive any portion of the Executive's current compensation, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen days of the date such compensation is due;

(e) the failure by the Company to continue in effect any compensation plan in which the Executive participates

immediately prior to the Change in Control which is material to the Executive's total compensation, or the failure by the Company to continue the Executive's participation therein on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(f) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company' s pension, life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(g) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 5.1.

"Notice of Termination" shall have the meaning stated in Section 5.1.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d). thereof; however, a Person shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to a registered offering of such securities in accordance with an agreement with the Company, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

"Potential Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(c) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifteen percent or more of the combined voting power of the Company's then outstanding securities (entitled to vote generally for the election of directors); or

(d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

"Severance Payments" shall mean those payments described in Section 3.2 hereof.

"Total Payments" shall mean those payments described in Section 4 hereof.

IN WITNESS WHEREOF, the Company and the Executive have executed and delivered this Agreement on the date first written above.

ASPEN TECHNOLOGY, INC.

By:

Joseph F. Boston

Exhibit 10.26

CHANGE IN CONTROL AGREEMENT

AGREEMENT dated as of August 12, 1997 by and between Aspen Technology, Inc., a Massachusetts corporation (the "Company"), and David L. McQuillin (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel; and

WHEREAS, the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties with the Company without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control (as defined herein);

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other valuable consideration, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last section hereof.

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through June 30, 2002. Thereafter, this Agreement shall be automatically renewed for successive one year terms unless the Company sends written notice of termination to the Executive at least 60 days before the expiration date of this Agreement, which termination will be effective at that expiration date. If a Change in Control shall have occurred during the term of this Agreement, however, this Agreement shall continue in effect for a period of three years beyond the last day of the month in which the Change in Control occurred. Notwithstanding the foregoing provisions of this Section 2, this Agreement shall terminate, unless earlier terminated in accordance with this Agreement, (i) one year after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee, upon recommendation of the Company's chief executive officer, has voted to terminate this Agreement or (ii) if earlier, immediately after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee has determined that the Executive's level of responsibility (other than reporting responsibility) has substantially changed from the Executive's current level of responsibility,

in either case only if the notification occurs prior to a Potential Change in Control that results in a Change in Control.

3. Payments After Change in Control.

3.1 If the Executive's employment shall be terminated for any reason following a Change in Control and during the term of this Agreement, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect at the time the Notice of Termination is given, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

3.2 Subject to Section 3.3, the Company shall pay to the Executive the payments described in this Section 3.2 (the "Severance Payments") upon the termination of the Executive's employment following a Change in Control and during the term of this Agreement, in addition to the payments and benefits described in Section 3.1, unless such termination is (i) by the Company for Cause, (ii) by reason of death, (iii) by the Executive without Good Reason, or (iv) after the Executive shall have attained age 70. In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefits otherwise payable to the Executive under any then existing broad-based employee severance plan, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to three times the sum of (x) the higher of the Executive's annual base salary in effect immediately prior to the occurrence of the event or circumstance upon which the Notice of Termination is based or in effect immediately prior to the Change in Control and (y) the higher of the average of the annual bonuses paid to the Executive for the three years (or the number of years employed, if less) immediately preceding the occurrence of the event or circumstance upon which the Notice of Termination is based or the Change in Control. In lieu of any further life, disability, accident and health insurance benefits otherwise due to the Executive, the Company shall pay to the Executive a lump sum amount, in cash, equal to the cost to the Company (as determined by the Company in good faith with reference to its most recent actual experience) of providing such benefits, to the extent that the Executive is eligible to receive such benefits immediately prior to the Notice of Termination, for a period of three years commencing on the Date of Termination.

3.3 The payments provided for in Section 3.2 shall be made not later than the fifth day following the Date of Termination.

3.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking to obtain or enforce any benefit or right provided by this Agreement, payable within five business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

4. Certain Additional Payments by the Company.

4.1 Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (all such payments and benefits, including the Severance Payments, the "Total Payments") is determined to be subject (in whole or part) to the Excise Tax, then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including without limitation any income taxes and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount equal to the Total Payments. Notwithstanding the foregoing provisions of this Section 4.1, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Total Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt thereof would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Total Payments shall be reduced to the Reduced Amount.

4.2 All determinations required to be made under this Section 4, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's accountants or such other certified public accounting firm reasonably acceptable to the Company as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive.

5. Termination Procedures.

5.1 Notice of Termination. After a Change in Control and during the term of this Agreement, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 8. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the

affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in the definition of Cause.

5.2 Date of Termination. "Date of Termination", with respect to any purported termination of the Executive's employment after a Change in Control and during the term of this Agreement, shall mean the date specified in the Notice of Termination (which, in the case of a termination by the Company otherwise than for Cause, shall not be less than thirty days and, in the case of a termination by the Executive, shall not be less than fifteen days nor more than sixty days, respectively, from the date such Notice of Termination is given).

6. No Mitigation. If the Executive's employment by the Company is terminated during the term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 3. Further, the amount of any payment or benefit provided for in Section 3 shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

7. Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the term of this Agreement, the Executive will remain in the employ of the Company until the earliest of (i) a date which is six months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason (determined by treating the Potential Change in Control as a Change in Control in applying the definition of Good Reason), by reason of death or Retirement; or (iv) the termination by the Company of the Executive's employment for any reason.

8. Successors; Binding Agreement.

8.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the

Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

8.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's representatives.

9. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:
Aspen Technology, Inc.
Ten Canal Park
Cambridge, MA 02141

Attention: General Counsel

To the Executive:
David L. McQuillin
2017 Kinderton Manor Drive
Duluth, GA 30155

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or

discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. Except as expressly provided herein, no waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts, and this Agreement shall be an instrument under seal. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed.

11. Settlement of Disputes; Arbitration. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator' s award in any court having jurisdiction. The Executive shall, however, be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

12. Definitions. For purposes of this Agreement, the following terms shall have the-meanings indicated below:

"Beneficial owner" shall have the meaning defined in Rule 13d-3 under the Exchange Act.

"Board" shall mean the Board of Directors of the Company.

"Cause" for termination by the Company of the Executive's employment, after any Change in Control, shall mean (i) the willful and continued failure by the Executive to

substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Company or any of its subsidiaries, monetarily or otherwise. No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) Continuing Directors constitute two-thirds or less of the membership of the Board, whether as the result of a proxy contest or for any other reason or reasons; or

(b) Any Person is or becomes the Beneficial owner, directly or indirectly, of securities of the Company representing twenty-five percent or more of the combined voting power of the Company's then outstanding voting securities; or

(c) There is a change in control of the Company of a nature that would be required to be reported on Form 8-K or item 6(e) of Schedule 14A of Regulation 14A or any similar item, schedule or form under the Exchange Act, as in effect at the time of the change, whether or not the Company is then subject to such reporting requirement, including without limitation any merger or consolidation of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty-one percent or more of the combined voting power of the voting securities (entitled to vote generally for the

election of directors) of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation and which would result in those persons who are Continuing Directors immediately prior to such merger or consolidation constituting more than two-thirds of the membership of the Board or the board of such surviving or parent entity immediately after, or subsequently at any time as contemplated by or as a result of, such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the company (or similar transaction) in which no Person acquired twenty-five percent or more of the combined voting power of the Company's then outstanding securities; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Company" shall mean Aspen Technology, Inc. and any successor to its business and/or assets which assumes or agrees to perform this Agreement, by operation of law or otherwise.

"Compensation Committee" shall mean the Compensation and Nominating Committee of the Board.

"Continuing Director" shall mean any director (i) who has continuously been a member of the Board since not later than the date of a Potential Change in Control or (ii) who is a successor of a director described in clause (i), if such successor (and any intervening successor) shall have been recommended or elected to succeed a Continuing Director by a majority of the then Continuing Directors.

"Date of Termination" shall have the meaning stated in Section 5.2 hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Excise Tax" shall mean the tax imposed by Section 4999 of the Code.

"Executive" shall mean the individual named in the first paragraph of this Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) of any one of the following acts or failures to act by the Company unless, in the case of any act or failure to act described in paragraph (a), (e), (f) or (g) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof or, in the case of paragraph (c) below, such act is not objected to in writing by the Executive within four months after notification by the Company to the Executive of the Company's intention to take the action contemplated by such paragraph (c):

(a) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company or a meaningful alteration, adverse to the Executive, in the nature or status of the Executive's responsibilities (other than reporting responsibilities) from those in effect immediately prior to the Change in Control;

(b) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company;

(c) the Company's requiring the Executive to be based anywhere other than the Boston Metropolitan Area (or, if different, the metropolitan area in which the Company's principal executive offices are located immediately prior to the Change in Control) except for required travel on the Company business to an extent substantially consistent with the Executive's present business travel obligations;

(d) the failure by the Company, without the Executive's consent, to pay to the Executive any portion of the Executive's current compensation, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen days of the date such compensation is due;

(e) the failure by the Company to continue in effect any compensation plan in which the Executive participates

immediately prior to the Change in Control which is material to the Executive's total compensation, or the failure by the Company to continue the Executive's participation therein on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(f) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company' s pension, life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(g) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 5.1.

"Notice of Termination" shall have the meaning stated in Section 5.1.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d). thereof; however, a Person shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to a registered offering of such securities in accordance with an agreement with the Company, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

"Potential Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(c) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifteen percent or more of the combined voting power of the Company's then outstanding securities (entitled to vote generally for the election of directors); or

(d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

"Severance Payments" shall mean those payments described in Section 3.2 hereof.

"Total Payments" shall mean those payments described in Section 4 hereof.

IN WITNESS WHEREOF, the Company and the Executive have executed and delivered this Agreement on the date first written above.

ASPEN TECHNOLOGY, INC.

By:____

____
David L. McQuillin

EXHIBIT 10.27

CHANGE IN CONTROL AGREEMENT

AGREEMENT dated as of August 12, 1997 by and between Aspen Technology, Inc., a Massachusetts corporation (the "Company"), and Mary A. Palermo (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel; and

WHEREAS, the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties with the Company without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control (as defined herein);

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other valuable consideration, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last section hereof.

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through June 30, 2002. Thereafter, this Agreement shall be automatically renewed for successive one year terms unless the Company sends written notice of termination to the Executive at least 60 days before the expiration date of this Agreement, which termination will be effective at that expiration date. If a Change in Control shall have occurred during the term of this Agreement, however, this Agreement shall continue in effect for a period of three years beyond the last day of the month in which the Change in Control occurred. Notwithstanding the foregoing provisions of this Section 2, this Agreement shall terminate, unless earlier terminated in accordance with this Agreement, (i) one year after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee, upon recommendation of the Company's chief executive officer, has voted to terminate this Agreement or (ii) if earlier, immediately after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee has determined that the Executive's level of responsibility (other than reporting responsibility) has substantially changed from the Executive's current level of responsibility,

in either case only if the notification occurs prior to a Potential Change in Control that results in a Change in Control.

3. Payments After Change in Control.

3.1 If the Executive's employment shall be terminated for any reason following a Change in Control and during the term of this Agreement, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect at the time the Notice of Termination is given, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

3.2 Subject to Section 3.3, the Company shall pay to the Executive the payments described in this Section 3.2 (the "Severance Payments") upon the termination of the Executive's employment following a Change in Control and during the term of this Agreement, in addition to the payments and benefits described in Section 3.1, unless such termination is (i) by the Company for Cause, (ii) by reason of death, (iii) by the Executive without Good Reason, or (iv) after the Executive shall have attained age 70. In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefits otherwise payable to the Executive under any then existing broad-based employee severance plan, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to three times the sum of (x) the higher of the Executive's annual base salary in effect immediately prior to the occurrence of the event or circumstance upon which the Notice of Termination is based or in effect immediately prior to the Change in Control and (y) the higher of the average of the annual bonuses paid to the Executive for the three years (or the number of years employed, if less) immediately preceding the occurrence of the event or circumstance upon which the Notice of Termination is based or the Change in Control. In lieu of any further life, disability, accident and health insurance benefits otherwise due to the Executive, the Company shall pay to the Executive a lump sum amount, in cash, equal to the cost to the Company (as determined by the Company in good faith with reference to its most recent actual experience) of providing such benefits, to the extent that the Executive is eligible to receive such benefits immediately prior to the Notice of Termination, for a period of three years commencing on the Date of Termination.

3.3 The payments provided for in Section 3.2 shall be made not later than the fifth day following the Date of Termination.

3.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking to obtain or enforce any benefit or right provided by this Agreement, payable within five business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

4. Certain Additional Payments by the Company.

4.1 Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (all such payments and benefits, including the Severance Payments, the "Total Payments") is determined to be subject (in whole or part) to the Excise Tax, then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including without limitation any income taxes and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount equal to the Total Payments. Notwithstanding the foregoing provisions of this Section 4.1, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Total Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt thereof would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Total Payments shall be reduced to the Reduced Amount.

4.2 All determinations required to be made under this Section 4, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's accountants or such other certified public accounting firm reasonably acceptable to the Company as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive.

5. Termination Procedures.

5.1 Notice of Termination. After a Change in Control and during the term of this Agreement, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 8. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the

affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in the definition of Cause.

5.2 Date of Termination. "Date of Termination", with respect to any purported termination of the Executive's employment after a Change in Control and during the term of this Agreement, shall mean the date specified in the Notice of Termination (which, in the case of a termination by the Company otherwise than for Cause, shall not be less than thirty days and, in the case of a termination by the Executive, shall not be less than fifteen days nor more than sixty days, respectively, from the date such Notice of Termination is given).

6. No Mitigation. If the Executive's employment by the Company is terminated during the term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 3. Further, the amount of any payment or benefit provided for in Section 3 shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

7. Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the term of this Agreement, the Executive will remain in the employ of the Company until the earliest of (i) a date which is six months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason (determined by treating the Potential Change in Control as a Change in Control in applying the definition of Good Reason), by reason of death or Retirement; or (iv) the termination by the Company of the Executive's employment for any reason.

8. Successors; Binding Agreement.

8.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the

Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

8.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's representatives.

9. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:
Aspen Technology, Inc.
Ten Canal Park
Cambridge, MA 02141

Attention: General Counsel

To the Executive:
Mary A. Palermo
55 Sawyer Drive
Dedham, MA 02026

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or

discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. Except as expressly provided herein, no waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts, and this Agreement shall be an instrument under seal. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed.

11. Settlement of Disputes; Arbitration. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator' s award in any court having jurisdiction. The Executive shall, however, be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

12. Definitions. For purposes of this Agreement, the following terms shall have the-meanings indicated below:

"Beneficial owner" shall have the meaning defined in Rule 13d-3 under the Exchange Act.

"Board" shall mean the Board of Directors of the Company.

"Cause" for termination by the Company of the Executive's employment, after any Change in Control, shall mean (i) the willful and continued failure by the Executive to

substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Company or any of its subsidiaries, monetarily or otherwise. No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) Continuing Directors constitute two-thirds or less of the membership of the Board, whether as the result of a proxy contest or for any other reason or reasons; or

(b) Any Person is or becomes the Beneficial owner, directly or indirectly, of securities of the Company representing twenty-five percent or more of the combined voting power of the Company's then outstanding voting securities; or

(c) There is a change in control of the Company of a nature that would be required to be reported on Form 8-K or item 6(e) of Schedule 14A of Regulation 14A or any similar item, schedule or form under the Exchange Act, as in effect at the time of the change, whether or not the Company is then subject to such reporting requirement, including without limitation any merger or consolidation of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty-one percent or more of the combined voting power of the voting securities (entitled to vote generally for the

election of directors) of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation and which would result in those persons who are Continuing Directors immediately prior to such merger or consolidation constituting more than two-thirds of the membership of the Board or the board of such surviving or parent entity immediately after, or subsequently at any time as contemplated by or as a result of, such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the company (or similar transaction) in which no Person acquired twenty-five percent or more of the combined voting power of the Company's then outstanding securities; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Company" shall mean Aspen Technology, Inc. and any successor to its business and/or assets which assumes or agrees to perform this Agreement, by operation of law or otherwise.

"Compensation Committee" shall mean the Compensation and Nominating Committee of the Board.

"Continuing Director" shall mean any director (i) who has continuously been a member of the Board since not later than the date of a Potential Change in Control or (ii) who is a successor of a director described in clause (i), if such successor (and any intervening successor) shall have been recommended or elected to succeed a Continuing Director by a majority of the then Continuing Directors.

"Date of Termination" shall have the meaning stated in Section 5.2 hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Excise Tax" shall mean the tax imposed by Section 4999 of the Code.

"Executive" shall mean the individual named in the first paragraph of this Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) of any one of the following acts or failures to act by the Company unless, in the case of any act or failure to act described in paragraph (a), (e), (f) or (g) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof or, in the case of paragraph (c) below, such act is not objected to in writing by the Executive within four months after notification by the Company to the Executive of the Company's intention to take the action contemplated by such paragraph (c):

(a) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company or a meaningful alteration, adverse to the Executive, in the nature or status of the Executive's responsibilities (other than reporting responsibilities) from those in effect immediately prior to the Change in Control;

(b) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company;

(c) the Company's requiring the Executive to be based anywhere other than the Boston Metropolitan Area (or, if different, the metropolitan area in which the Company's principal executive offices are located immediately prior to the Change in Control) except for required travel on the Company business to an extent substantially consistent with the Executive's present business travel obligations;

(d) the failure by the Company, without the Executive's consent, to pay to the Executive any portion of the Executive's current compensation, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen days of the date such compensation is due;

(e) the failure by the Company to continue in effect any compensation plan in which the Executive participates

immediately prior to the Change in Control which is material to the Executive's total compensation, or the failure by the Company to continue the Executive's participation therein on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(f) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company' s pension, life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(g) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 5.1.

"Notice of Termination" shall have the meaning stated in Section 5.1.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d). thereof; however, a Person shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to a registered offering of such securities in accordance with an agreement with the Company, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

"Potential Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(c) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifteen percent or more of the combined voting power of the Company's then outstanding securities (entitled to vote generally for the election of directors); or

(d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

"Severance Payments" shall mean those payments described in Section 3.2 hereof.

"Total Payments" shall mean those payments described in Section 4 hereof.

IN WITNESS WHEREOF, the Company and the Executive have executed and delivered this Agreement on the date first written above.

ASPEN TECHNOLOGY, INC.

By:____

____

Mary A. Palermo

Exhibit 10.28

CHANGE IN CONTROL AGREEMENT

AGREEMENT dated as of August 12, 1997 by and between Aspen Technology, Inc., a Massachusetts corporation (the "Company"), and Joel B. Rosen (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel; and

WHEREAS, the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties with the Company without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control (as defined herein);

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other valuable consideration, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last section hereof.

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through June 30, 2002. Thereafter, this Agreement shall be automatically renewed for successive one year terms unless the Company sends written notice of termination to the Executive at least 60 days before the expiration date of this Agreement, which termination will be effective at that expiration date. If a Change in Control shall have occurred during the term of this Agreement, however, this Agreement shall continue in effect for a period of three years beyond the last day of the month in which the Change in Control occurred. Notwithstanding the foregoing provisions of this Section 2, this Agreement shall terminate, unless earlier terminated in accordance with this Agreement, (i) one year after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee, upon recommendation of the Company's chief executive officer, has voted to terminate this Agreement or (ii) if earlier, immediately after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee has determined that the Executive's level of responsibility (other than reporting responsibility) has substantially changed from the Executive's current level of responsibility,

in either case only if the notification occurs prior to a Potential Change in Control that results in a Change in Control.

3. Payments After Change in Control.

3.1 If the Executive's employment shall be terminated for any reason following a Change in Control and during the term of this Agreement, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect at the time the Notice of Termination is given, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

3.2 Subject to Section 3.3, the Company shall pay to the Executive the payments described in this Section 3.2 (the "Severance Payments") upon the termination of the Executive's employment following a Change in Control and during the term of this Agreement, in addition to the payments and benefits described in Section 3.1, unless such termination is (i) by the Company for Cause, (ii) by reason of death, (iii) by the Executive without Good Reason, or (iv) after the Executive shall have attained age 70. In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefits otherwise payable to the Executive under any then existing broad-based employee severance plan, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to three times the sum of (x) the higher of the Executive's annual base salary in effect immediately prior to the occurrence of the event or circumstance upon which the Notice of Termination is based or in effect immediately prior to the Change in Control and (y) the higher of the average of the annual bonuses paid to the Executive for the three years (or the number of years employed, if less) immediately preceding the occurrence of the event or circumstance upon which the Notice of Termination is based or the Change in Control. In lieu of any further life, disability, accident and health insurance benefits otherwise due to the Executive, the Company shall pay to the Executive a lump sum amount, in cash, equal to the cost to the Company (as determined by the Company in good faith with reference to its most recent actual experience) of providing such benefits, to the extent that the Executive is eligible to receive such benefits immediately prior to the Notice of Termination, for a period of three years commencing on the Date of Termination.

3.3 The payments provided for in Section 3.2 shall be made not later than the fifth day following the Date of Termination.

3.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking to obtain or enforce any benefit or right provided by this Agreement, payable within five business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

4. Certain Additional Payments by the Company.

4.1 Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (all such payments and benefits, including the Severance Payments, the "Total Payments") is determined to be subject (in whole or part) to the Excise Tax, then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including without limitation any income taxes and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount equal to the Total Payments. Notwithstanding the foregoing provisions of this Section 4.1, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Total Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt thereof would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Total Payments shall be reduced to the Reduced Amount.

4.2 All determinations required to be made under this Section 4, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's accountants or such other certified public accounting firm reasonably acceptable to the Company as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive.

5. Termination Procedures.

5.1 Notice of Termination. After a Change in Control and during the term of this Agreement, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 8. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the

affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in the definition of Cause.

5.2 Date of Termination. "Date of Termination", with respect to any purported termination of the Executive's employment after a Change in Control and during the term of this Agreement, shall mean the date specified in the Notice of Termination (which, in the case of a termination by the Company otherwise than for Cause, shall not be less than thirty days and, in the case of a termination by the Executive, shall not be less than fifteen days nor more than sixty days, respectively, from the date such Notice of Termination is given).

6. No Mitigation. If the Executive's employment by the Company is terminated during the term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 3. Further, the amount of any payment or benefit provided for in Section 3 shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

7. Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the term of this Agreement, the Executive will remain in the employ of the Company until the earliest of (i) a date which is six months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason (determined by treating the Potential Change in Control as a Change in Control in applying the definition of Good Reason), by reason of death or Retirement; or (iv) the termination by the Company of the Executive's employment for any reason.

8. Successors; Binding Agreement.

8.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the

Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

8.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's representatives.

9. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:
Aspen Technology, Inc.
Ten Canal Park
Cambridge, MA 02141

Attention: General Counsel

To the Executive:
Joel B. Rosen
840-3 Old Road To Nine Acre Corner
Concord, MA 01742

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or

discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. Except as expressly provided herein, no waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts, and this Agreement shall be an instrument under seal. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed.

11. Settlement of Disputes; Arbitration. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator' s award in any court having jurisdiction. The Executive shall, however, be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

12. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

"Beneficial owner" shall have the meaning defined in Rule 13d-3 under the Exchange Act.

"Board" shall mean the Board of Directors of the Company.

"Cause" for termination by the Company of the Executive's employment, after any Change in Control, shall mean (i) the willful and continued failure by the Executive to

substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Company or any of its subsidiaries, monetarily or otherwise. No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) Continuing Directors constitute two-thirds or less of the membership of the Board, whether as the result of a proxy contest or for any other reason or reasons; or

(b) Any Person is or becomes the Beneficial owner, directly or indirectly, of securities of the Company representing twenty-five percent or more of the combined voting power of the Company's then outstanding voting securities; or

(c) There is a change in control of the Company of a nature that would be required to be reported on Form 8-K or item 6(e) of Schedule 14A of Regulation 14A or any similar item, schedule or form under the Exchange Act, as in effect at the time of the change, whether or not the Company is then subject to such reporting requirement, including without limitation any merger or consolidation of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty-one percent or more of the combined voting power of the voting securities (entitled to vote generally for the

election of directors) of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation and which would result in those persons who are Continuing Directors immediately prior to such merger or consolidation constituting more than two-thirds of the membership of the Board or the board of such surviving or parent entity immediately after, or subsequently at any time as contemplated by or as a result of, such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the company (or similar transaction) in which no Person acquired twenty-five percent or more of the combined voting power of the Company's then outstanding securities; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Company" shall mean Aspen Technology, Inc. and any successor to its business and/or assets which assumes or agrees to perform this Agreement, by operation of law or otherwise.

"Compensation Committee" shall mean the Compensation and Nominating Committee of the Board.

"Continuing Director" shall mean any director (i) who has continuously been a member of the Board since not later than the date of a Potential Change in Control or (ii) who is a successor of a director described in clause (i), if such successor (and any intervening successor) shall have been recommended or elected to succeed a Continuing Director by a majority of the then Continuing Directors.

"Date of Termination" shall have the meaning stated in Section 5.2 hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Excise Tax" shall mean the tax imposed by Section 4999 of the Code.

"Executive" shall mean the individual named in the first paragraph of this Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) of any one of the following acts or failures to act by the Company unless, in the case of any act or failure to act described in paragraph (a), (e), (f) or (g) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof or, in the case of paragraph (c) below, such act is not objected to in writing by the Executive within four months after notification by the Company to the Executive of the Company's intention to take the action contemplated by such paragraph (c):

(a) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company or a meaningful alteration, adverse to the Executive, in the nature or status of the Executive's responsibilities (other than reporting responsibilities) from those in effect immediately prior to the Change in Control;

(b) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company;

(c) the Company's requiring the Executive to be based anywhere other than the Boston Metropolitan Area (or, if different, the metropolitan area in which the Company's principal executive offices are located immediately prior to the Change in Control) except for required travel on the Company business to an extent substantially consistent with the Executive's present business travel obligations;

(d) the failure by the Company, without the Executive's consent, to pay to the Executive any portion of the Executive's current compensation, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen days of the date such compensation is due;

(e) the failure by the Company to continue in effect any compensation plan in which the Executive participates

immediately prior to the Change in Control which is material to the Executive's total compensation, or the failure by the Company to continue the Executive's participation therein on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(f) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company' s pension, life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(g) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 5.1.

"Notice of Termination" shall have the meaning stated in Section 5.1.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d). thereof; however, a Person shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to a registered offering of such securities in accordance with an agreement with the Company, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

"Potential Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(c) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifteen percent or more of the combined voting power of the Company's then outstanding securities (entitled to vote generally for the election of directors); or

(d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

"Severance Payments" shall mean those payments described in Section 3.2 hereof.

"Total Payments" shall mean those payments described in Section 4 hereof.

IN WITNESS WHEREOF, the Company and the Executive have executed and delivered this Agreement on the date first written above.

ASPEN TECHNOLOGY, INC.

By:

Joel B. Rosen

EXHIBIT 10.29

CHANGE IN CONTROL AGREEMENT

AGREEMENT dated as of August 12, 1997 by and between Aspen Technology, Inc., a Massachusetts corporation (the "Company"), and Stephen J. Doyle (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel; and

WHEREAS, the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties with the Company without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control (as defined herein);

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other valuable consideration, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last section hereof.

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through June 30, 2002. Thereafter, this Agreement shall be automatically renewed for successive one year terms unless the Company sends written notice of termination to the Executive at least 60 days before the expiration date of this Agreement, which termination will be effective at that expiration date. If a Change in Control shall have occurred during the term of this Agreement, however, this Agreement shall continue in effect for a period of three years beyond the last day of the month in which the Change in Control occurred. Notwithstanding the foregoing provisions of this Section 2, this Agreement shall terminate, unless earlier terminated in accordance with this Agreement, (i) one year after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee, upon recommendation of the Company's chief executive officer, has voted to terminate this Agreement or (ii) if earlier, immediately after the Executive is notified in accordance with Section 9 hereof that the Compensation Committee has determined that the Executive's level of responsibility (other than reporting responsibility) has substantially changed from the Executive's current level of responsibility,

in either case only if the notification occurs prior to a Potential Change in Control that results in a Change in Control.

3. Payments After Change in Control.

3.1 If the Executive's employment shall be terminated for any reason following a Change in Control and during the term of this Agreement, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect at the time the Notice of Termination is given, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

3.2 Subject to Section 3.3, the Company shall pay to the Executive the payments described in this Section 3.2 (the "Severance Payments") upon the termination of the Executive's employment following a Change in Control and during the term of this Agreement, in addition to the payments and benefits described in Section 3.1, unless such termination is (i) by the Company for Cause, (ii) by reason of death, (iii) by the Executive without Good Reason, or (iv) after the Executive shall have attained age 70. In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefits otherwise payable to the Executive under any then existing broad-based employee severance plan, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to three times the sum of (x) the higher of the Executive's annual base salary in effect immediately prior to the occurrence of the event or circumstance upon which the Notice of Termination is based or in effect immediately prior to the Change in Control and (y) the higher of the average of the annual bonuses paid to the Executive for the three years (or the number of years employed, if less) immediately preceding the occurrence of the event or circumstance upon which the Notice of Termination is based or the Change in Control. In lieu of any further life, disability, accident and health insurance benefits otherwise due to the Executive, the Company shall pay to the Executive a lump sum amount, in cash, equal to the cost to the Company (as determined by the Company in good faith with reference to its most recent actual experience) of providing such benefits, to the extent that the Executive is eligible to receive such benefits immediately prior to the Notice of Termination, for a period of three years commencing on the Date of Termination.

3.3 The payments provided for in Section 3.2 shall be made not later than the fifth day following the Date of Termination.

3.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in seeking to obtain or enforce any benefit or right provided by this Agreement, payable within five business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

4. Certain Additional Payments by the Company.

4.1 Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (all such payments and benefits, including the Severance Payments, the "Total Payments") is determined to be subject (in whole or part) to the Excise Tax, then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including without limitation any income taxes and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount equal to the Total Payments. Notwithstanding the foregoing provisions of this Section 4.1, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Total Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt thereof would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Total Payments shall be reduced to the Reduced Amount.

4.2 All determinations required to be made under this Section 4, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's accountants or such other certified public accounting firm reasonably acceptable to the Company as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive.

5. Termination Procedures.

5.1 Notice of Termination. After a Change in Control and during the term of this Agreement, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 8. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the

affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in the definition of Cause.

5.2 Date of Termination. "Date of Termination", with respect to any purported termination of the Executive's employment after a Change in Control and during the term of this Agreement, shall mean the date specified in the Notice of Termination (which, in the case of a termination by the Company otherwise than for Cause, shall not be less than thirty days and, in the case of a termination by the Executive, shall not be less than fifteen days nor more than sixty days, respectively, from the date such Notice of Termination is given).

6. No Mitigation. If the Executive's employment by the Company is terminated during the term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 3. Further, the amount of any payment or benefit provided for in Section 3 shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

7. Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the term of this Agreement, the Executive will remain in the employ of the Company until the earliest of (i) a date which is six months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason (determined by treating the Potential Change in Control as a Change in Control in applying the definition of Good Reason), by reason of death or Retirement; or (iv) the termination by the Company of the Executive's employment for any reason.

8. Successors; Binding Agreement.

8.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the

Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

8.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's representatives.

9. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:
Aspen Technology, Inc.
Ten Canal Park
Cambridge, MA 02141

Attention: General Counsel

To the Executive:
Stephen J. Doyle
16 Ledge Hill Road
Southborough, MA 01772

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or

discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. Except as expressly provided herein, no waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts, and this Agreement shall be an instrument under seal. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed.

11. Settlement of Disputes; Arbitration. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator' s award in any court having jurisdiction. The Executive shall, however, be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

12. Definitions. For purposes of this Agreement, the following terms shall have the-meanings indicated below:

"Beneficial owner" shall have the meaning defined in Rule 13d-3 under the Exchange Act.

"Board" shall mean the Board of Directors of the Company.

"Cause" for termination by the Company of the Executive's employment, after any Change in Control, shall mean (i) the willful and continued failure by the Executive to

substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Company or any of its subsidiaries, monetarily or otherwise. No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

A "Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) Continuing Directors constitute two-thirds or less of the membership of the Board, whether as the result of a proxy contest or for any other reason or reasons; or

(b) Any Person is or becomes the Beneficial owner, directly or indirectly, of securities of the Company representing twenty-five percent or more of the combined voting power of the Company's then outstanding voting securities; or

(c) There is a change in control of the Company of a nature that would be required to be reported on Form 8-K or item 6(e) of Schedule 14A of Regulation 14A or any similar item, schedule or form under the Exchange Act, as in effect at the time of the change, whether or not the Company is then subject to such reporting requirement, including without limitation any merger or consolidation of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty-one percent or more of the combined voting power of the voting securities (entitled to vote generally for the

election of directors) of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation and which would result in those persons who are Continuing Directors immediately prior to such merger or consolidation constituting more than two-thirds of the membership of the Board or the board of such surviving or parent entity immediately after, or subsequently at any time as contemplated by or as a result of, such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the company (or similar transaction) in which no Person acquired twenty-five percent or more of the combined voting power of the Company's then outstanding securities; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Company" shall mean Aspen Technology, Inc. and any successor to its business and/or assets which assumes or agrees to perform this Agreement, by operation of law or otherwise.

"Compensation Committee" shall mean the Compensation and Nominating Committee of the Board.

"Continuing Director" shall mean any director (i) who has continuously been a member of the Board since not later than the date of a Potential Change in Control or (ii) who is a successor of a director described in clause (i), if such successor (and any intervening successor) shall have been recommended or elected to succeed a Continuing Director by a majority of the then Continuing Directors.

"Date of Termination" shall have the meaning stated in Section 5.2 hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Excise Tax" shall mean the tax imposed by Section 4999 of the Code.

"Executive" shall mean the individual named in the first paragraph of this Agreement.

"Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) of any one of the following acts or failures to act by the Company unless, in the case of any act or failure to act described in paragraph (a), (e), (f) or (g) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof or, in the case of paragraph (c) below, such act is not objected to in writing by the Executive within four months after notification by the Company to the Executive of the Company's intention to take the action contemplated by such paragraph (c):

(a) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company or a meaningful alteration, adverse to the Executive, in the nature or status of the Executive's responsibilities (other than reporting responsibilities) from those in effect immediately prior to the Change in Control;

(b) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company;

(c) the Company's requiring the Executive to be based anywhere other than the Boston Metropolitan Area (or, if different, the metropolitan area in which the Company's principal executive offices are located immediately prior to the Change in Control) except for required travel on the Company business to an extent substantially consistent with the Executive's present business travel obligations;

(d) the failure by the Company, without the Executive's consent, to pay to the Executive any portion of the Executive's current compensation, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen days of the date such compensation is due;

(e) the failure by the Company to continue in effect any compensation plan in which the Executive participates

immediately prior to the Change in Control which is material to the Executive's total compensation, or the failure by the Company to continue the Executive's participation therein on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(f) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company' s pension, life insurance, medical, health and accident, or disability plans in which the Executive was participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(g) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 5.1.

"Notice of Termination" shall have the meaning stated in Section 5.1.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d). thereof; however, a Person shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to a registered offering of such securities in accordance with an agreement with the Company, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

"Potential Change in Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(c) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifteen percent or more of the combined voting power of the Company's then outstanding securities (entitled to vote generally for the election of directors); or

(d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

"Severance Payments" shall mean those payments described in Section 3.2 hereof.

"Total Payments" shall mean those payments described in Section 4 hereof.

IN WITNESS WHEREOF, the Company and the Executive have executed and delivered this Agreement on the date first written above.

ASPEN TECHNOLOGY, INC.

By:____

____
Stephen J. Doyle

Exhibit 22.1

Aspen Technology, Inc.
As of September 29, 1997

	Subsidiary
Aspen Technology, Inc	Process Modeling Investment Corporation Industrial Systems, Inc. AspenTech Securities Corporation AspenTech Uk, Ltd. AspenTech, Inc. B-Jac International, Inc. NeuralWare, Inc. The SAST Corporation Limited
Process Modeling Investment Corporation	AspenTech Japan Co. Ltd. AspenTech Asia, Ltd. AspenTech Europe S.A./N.V.
AspenTech Europe S.A./N.V.	AspenTech Europe B.V.
AspenTech, Inc.	Setpoint Canada, Ltd.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statements File Nos. 33-88298, 33-88300, 33-97094, 333-11651 and 333-21593.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
September 26, 1997

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 1997 INCLUDED IN THE COMPANY'S FORM 10-K FOR SUCH PERIOD, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
U.S. DOLLARS

YEAR
JUN-30-1997
JUL-01-1996
JUN-30-1997
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