SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported) May 27, 1998

Aspen Technology, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware	0-24786	04-2739697
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Ten Canal Park, Cambridge, Massachusetts	02141
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

Registrant's telephone number, including area code (617) 949-1000

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Item 5. Other Events.

On May 27, 1998 (the "Closing Date"), pursuant to an Agreement and Plan of Reorganization dated as of April 28, 1998 (the "Reorganization Agreement"), among Aspen Technology, Inc. ("AspenTech" or the "Company"), AT Acquisition Corp., a Delaware corporation and wholly owned subsidiary of AspenTech ("Acquisition Corp."), Chesapeake Decision Sciences, Inc., a New Jersey corporation ("Chesapeake"), and Dr. Thomas E. Baker, a stockholder of Chesapeake, AspenTech acquired Chesapeake by means of a statutory merger (the "Merger") of Acquisition Corp. into Chesapeake, with Chesapeake remaining as the surviving corporation in the Merger. As a result of the Merger, Chesapeake became a wholly owned subsidiary of AspenTech. Acquisition Corp. was formed solely for the purpose of effecting the Merger. AspenTech is the leading supplier of software and service solutions used by companies in the process industries to design, operate and manage their manufacturing processes. Chesapeake is a provider of supply chain management solutions to companies in process and other industries.

Pursuant to the Reorganization Agreement, an aggregate of 2,961,959 shares of the Common Stock, $.10 par value per share (the "Common Stock"), of AspenTech were issued in exchange for all of the issued and outstanding capital stock of Chesapeake. Each outstanding share of Chesapeake capital stock was converted into the right to receive a number of shares of AspenTech Common Stock equal to 2,961,959 divided by the sum of the total number of shares of Chesapeake capital stock outstanding on the Closing Date.

The consideration paid by AspenTech for the outstanding capital stock of Chesapeake pursuant to the Reorganization Agreement was determined pursuant to arm's-length negotiations and took into account various factors concerning the valuation of the business of Chesapeake, including public market valuations of comparable companies, discounted cash flows for Chesapeake, and multiples paid in recent acquisitions of comparable companies.

AspenTech intends to account for the acquisition of Chesapeake under the "pooling-of-interests" accounting method. Generally accepted accounting principles preclude AspenTech from restating its historical Consolidated Financial Statements to reflect the combined operations of AspenTech and Chesapeake until AspenTech has announced results of operations reflecting post-acquisition combined operations. AspenTech has included in this Form 8-K both its historical Consolidated Financial Statements, which reflect the operations of AspenTech without Chesapeake, and its Supplemental Consolidated Financial Statements, which reflect the combined operations of AspenTech and Chesapeake as if the two entities had operated as one entity since inception. See Note 1 of Notes to Supplemental Consolidated Financial Statements.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE REORGANIZATION AGREEMENT, A COPY OF WHICH IS INCLUDED AS AN EXHIBIT TO THIS FORM 8-K AND IS INCORPORATED BY REFERENCE HEREIN.

BECAUSE THE ACQUISITION OF CHESAPEAKE IS NOT DEEMED TO INVOLVE A SIGNIFICANT AMOUNT OF ASSETS FOR PURPOSES OF ITEM 2 OF FORM 8-K AND THE IMPACT OF THE CHESAPEAKE ACQUISITION DOES NOT MEET THE MINIMUM MATERIALITY THRESHOLD OF RULE 305(b)(2)(i) OF REGULATION S-X, FINANCIAL AND OTHER INFORMATION REGARDING CHESAPEAKE AND THE ACQUISITION THEREOF IS NOT REQUIRED TO BE FILED PURSUANT TO ITEM 2 OR PARAGRAPH (a) OR (b) OF ITEM 7 OF FORM 8-K. ASPENTECH IS PROVIDING INFORMATION REGARDING THE ACQUISITION AND THE INFORMATION SET FORTH BELOW BECAUSE ASPENTECH DEEMS THIS INFORMATION TO BE OF IMPORTANCE TO HOLDERS OF COMMON STOCK. UNLESS OTHERWISE INDICATED, (I) THE INFORMATION BELOW GIVES RETROACTIVE EFFECT TO ASPENTECH'S ACQUISITION OF CHESAPEAKE ON MAY 27, 1998 AND (II) REFERENCES IN THIS FORM 8-K TO "ASPENTECH" OR THE "COMPANY" ARE TO ASPEN TECHNOLOGY, INC. AND ITS SUBSIDIARIES.

The following is a table of contents for the information included in this Item 5:

FORWARD-LOOKING STATEMENTS

This Form 8-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are intended to be covered by the safe harbors created thereby. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements. Readers are cautioned that all forward-looking statements involve risks and uncertainties, many of which are beyond the Company's control, including the factors set forth under "--Risk Factors." Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate and there can be no assurance that actual results will be the same as those indicated by the forward-looking statements included in this Form 8-K. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved. Moreover, the Company assumes no obligation to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

SELECTED SUPPLEMENTAL CONSOLIDATED FINANCIAL DATA

The selected supplemental consolidated financial data as of the end of and for each of the Company's last five fiscal years have been derived from the Company's Supplemental Consolidated Financial Statements, which have been audited by Arthur Andersen LLP, independent public accountants. The selected supplemental consolidated financial data as of March 31, 1998 and for the nine months ended March 31, 1997 and 1998 have been derived from the Company's unaudited Supplemental Consolidated Financial Statements, which unaudited Supplemental Consolidated Financial Statements have been prepared on a basis substantially consistent with the audited Supplemental Consolidated Financial Statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the supplemental financial condition and results of operations of the Company for these periods. Results of operations for the nine months ended March 31, 1998 are not necessarily indicative of the results to be expected for the entire year. The following selected supplemental consolidated financial data are qualified by the more detailed Supplemental Consolidated Financial Statements and Notes thereto included elsewhere in this Form 8-K, and should be read in conjunction therewith and with the discussion under "--Management's Discussion and Analysis of Supplemental Consolidated Financial Condition and Results of Operations."

	YEAR ENDED JUNE 30,					NINE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1996	1997	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE AND RATIO DATA)						
SUPPLEMENTAL CONSOLIDATED STATEMENT OF OPERATIONS DATA(1):							
Revenues:							
Software licenses	$27,266	$37,725	$49,479	$ 70,199	$103,179	$ 71,741	$ 95,544
Service and other	10,378	11,682	16,540	44,619	90,891	65,858	82,500
Total revenues	37,644	49,407	66,019	114,818	194,070	137,599	178,044
Expenses:							
Cost of software licenses	2,099	2,795	3,080	3,992	5,539	4,090	4,964
Cost of service and other	8,513	8,824	10,052	27,220	54,006	39,315	48,342
Selling and marketing	12,664	18,912	24,276	36,610	56,034	40,223	52,683
Research and development	8,223	9,193	12,652	22,310	33,580	23,686	31,519
General and administrative	5,057	5,005	5,679	10,715	17,072	12,854	14,650
Charge for in-process research and development	--	--	--	24,421	8,664	8,664	8,472
Costs related to acquisition	--	--	950	--	--	--	984
Total expenses	36,556	44,729	56,689	125,268	174,895	128,832	161,614
Income (loss) from operations	1,088	4,678	9,330	(10,450)	19,175	8,767	16,430
Foreign currency exchange gain (loss)	47	(56)	34	(223)	(236)	(110)	(365)
Income (loss) on equity in joint ventures	--	(39)	22	10	26	--	45
Interest income	2,032	1,799	3,138	3,745	5,556	3,984	4,305
Interest expense	(532)	(524)	(561)	(1,323)	(151)	(117)	(147)
Income (loss) from continuing operations before provision for income taxes	2,635	5,858	11,963	(8,241)	24,370	12,524	20,268
Provision for income taxes	961	2,116	4,854	6,146	10,169	6,268	10,324
Income (loss) from continuing operations	1,674	3,742	7,109	(14,387)	14,201	6,256	9,944
Discontinued operations:							
Loss from operations	(40)	--	--	--	--	--	--
Loss on disposal	(532)	--	--	--	--	--	--
Net income (loss)(2)	$ 1,102	$ 3,742	$ 7,109	$(14,387)	$ 14,201	$ 6,256	$ 9,944

	YEAR ENDED JUNE 30,					NINE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1996	1997	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE AND RATIO DATA)						
Diluted earnings (loss) per share(3):							
Continuing operations	$ 0.12	$ 0.26	$ 0.42	$ (0.83)	$ 0.63	$ 0.28	$ 0.41
Net income (loss)	0.08	0.26	0.42	(0.83)	0.63	0.28	0.41
Basic earnings (loss) per share(3):							
Continuing operations	$ 0.21	$ 0.45	$ 0.46	$ (0.83)	$ 0.66	$ 0.30	$ 0.43
Net income (loss)	0.14	0.45	0.46	(0.83)	0.66	0.30	0.43
Weighted average shares outstanding -- diluted(3)	14,065	14,318	17,113	17,432	22,707	22,596	24,432
Weighted average shares outstanding -- basic(3)	8,061	8,340	15,321	17,432	21,368	21,190	23,101
PRO FORMA DATA(4):							
Income from continuing operations	$ 2,635	$ 5,858	$12,913	$ 16,180	$ 33,034	$ 21,188	$ 29,724
Net income	1,674	3,742	7,672	10,034	21,165	13,220	19,039
Diluted earnings per share	0.12	0.26	0.45	0.53	0.93	0.59	0.78
Weighted average shares outstanding -- diluted(3)	14,065	14,318	17,113	18,874	22,707	22,596	24,432
SUPPLEMENTAL CONSOLIDATED BALANCE SHEET DATA(1):							
Cash and cash equivalents	$ 2,538	$ 2,932	$ 6,290	$ 14,773	$ 18,284	$ 12,645	$ 25,546
Working capital	6,889	8,546	31,377	72,560	73,789	63,237	82,694
Total assets	35,890	45,066	83,259	168,986	203,545	186,196	236,088
Long-term obligations, less current maturities	2,251	2,576	4,087	706	462	586	3,315
Total stockholders' equity	15,580	19,284	45,824	104,477	137,414	120,255	150,977

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(1) On May 27, 1998, the Company acquired all of the outstanding capital stock of Chesapeake in exchange for 2,961,959 shares of Common Stock. The selected supplemental consolidated financial data give effect to the Chesapeake acquisition, which the Company intends to account for under the "pooling-of-interests" accounting method. See Note 1 of Notes to Supplemental Consolidated Financial Statements.

(2) The Company has never declared or paid cash dividends on its capital stock, although one of the Company's subsidiaries paid dividends to its stockholders prior to its acquisition by the Company in fiscal 1995.

(3) Computed as described in Note 2(j) of Notes to Supplemental Consolidated Financial Statements. In February 1998, the Commission issued SAB No. 98, which revised the Commission's guidance for calculating earnings per share with respect to equity security issuances before an initial public offering and is effective for fiscal years ending after December 15, 1997. The Company has restated its weighted average shares outstanding for the periods prior to its initial public offering in 1994 for SAB No. 98. This change did not affect diluted earnings per share.

(4) Pro forma data are calculated by excluding the effects of charge for in-process research and development, costs related to acquisition and discontinued operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF SUPPLEMENTAL CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Since its founding in 1981, the Company has developed and marketed software and services to companies in the process industries. The Company's revenues have increased each year since 1983, when the Company introduced the commercial version of its Aspen Plus process design software solution. In addition to internally generated growth, the Company has acquired 14 businesses since May 1995, including Industrial Systems, Inc. ("ISI") in the fourth quarter of fiscal 1995, Dynamic Matrix Control Corporation ("DMCC") and Setpoint, Inc. ("Setpoint") in the third quarter of fiscal 1996, and Chesapeake in the fourth quarter of fiscal 1998.

The Company acquired DMCC, Setpoint and three other, less material businesses in transactions accounted for as purchases. The Company's results of operations include the results of operations of DMCC, Setpoint and these three other companies only for periods subsequent to their respective dates of acquisition. As of result, period-to-period comparisons of the Company's results of operations may not be meaningful. See Note 3 of Notes to Supplemental Consolidated Financial Statements.

Through March 31, 1998, the Company acquired ISI and six other businesses in transactions accounted for as poolings of interests. Of these acquisitions, only the acquisition of ISI was material to the Company's financial condition and results of operations. Accordingly, the Company has restated its financial statements to reflect the historic operations of ISI but not the other, immaterial businesses. On May 27, 1998, the Company acquired Chesapeake in a transaction that the Company intends to account for as a pooling of interests. Generally accepted accounting principles preclude the Company from restating its historical Consolidated Financial Statements to reflect the combined operations of the Company and Chesapeake until the Company has announced results of operations reflecting post-acquisition combined operations. The Company has included in this Form 8-K both its historical Consolidated Financial Statements, which reflect the operations of the Company without Chesapeake, and its Supplemental Consolidated Financial Statements, which reflect the combined operations of the Company and Chesapeake as if the two entities had operated as one entity since inception. See Note 1 of Notes to Supplemental Consolidated Financial Statements. In addition, on May 29, 1998, the Company acquired Treiber Controls, Inc. in a transaction that the Company intends to account for as a pooling of interests. The acquisition of Treiber Controls, Inc. is not material to the financial condition or results of operations of the Company, and the Company does not intend to restate its consolidated financial statements to reflect this acquisition.

The Company typically licenses its process design software solutions for terms of 3 to 5 years, its process operation software solutions for terms of 99 years, its planning and scheduling software solutions for terms of 5 or 25 years, and its other process management software solutions for terms of 99 years. See "--Business -- Software and Service Solutions."

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 support agreement. 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.

Prior to fiscal 1996, the Company derived the substantial majority of its total revenues from the licensing of software products. Since the acquisitions of DMCC and Setpoint in the third quarter of fiscal 1996, the Company has generated a significantly greater amount of service revenues related to the implementation of its software solutions, particularly in connection with projects involving advanced process control and real-time optimization. For the nine months ended March 31, 1998, the Company derived 53.7% of its total revenues from the licensing of software products and 46.3% of its total revenues from the provision of services. The Company generally charges customers for consulting services on a fixed-price basis, but charges customers for certain services, primarily on-site advanced process control and optimization services, on a time-and-materials basis. 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-materials 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 revenue in the Company's Supplemental 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 acquisitions accounted for as purchases. The net balance of these intangible assets as of March 31, 1998 was approximately $13.6 million and is being amortized over periods ranging from 18 months to 12 years. The amortization from completed acquisitions that was charged to operations was approximately $2.5 million for fiscal 1997 and $2.0 million for the nine months ended March 31, 1998 and will be approximately $692,000 for each of the next 12 quarters and approximately $340,000 for each of the next succeeding 8 quarters.

RESULTS OF OPERATIONS

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

	YEAR ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
Revenues:					
Software licenses	74.9%	61.1%	53.2%	52.1%	53.7%
Service and other	25.1	38.9	46.8	47.9	46.3
Total revenues	100.0	100.0	100.0	100.0	100.0
Expenses:					
Cost of software licenses	4.7	3.5	2.9	3.0	2.8
Cost of service and other	15.2	23.7	27.8	28.6	27.2
Selling and marketing	36.8	31.9	28.9	29.2	29.6
Research and development	19.2	19.4	17.3	17.2	17.7
General and administrative	8.6	9.3	8.8	9.3	8.2
Charge for in-process research and development	--	21.3	4.5	6.3	4.7
Costs related to acquisition	1.4	--	--	--	0.6
Total expenses	85.9	109.1	90.2	93.6	90.8
Income (loss) from operations	14.1	(9.1)	9.8	6.4	9.2
Interest income	4.8	3.3	2.9	2.9	2.4
Interest expense	(0.8)	(1.2)	(0.1)	(0.1)	(0.1)
Other income (expense), net	0.1	(0.1)	(0.1)	(0.1)	(0.1)
Income (loss) before provision for income taxes	18.2	(7.1)	12.5	9.1	11.4
Provision for income taxes	7.4	5.4	5.2	4.6	5.8
Net income (loss)	10.8%	(12.5)%	7.3%	4.5%	5.6%
Pro forma data, excluding charge for in-process research and development and costs related to acquisition:					
Income from continuing operations	19.6%	14.1%	17.0%	15.4%	16.7%
Net income	11.6%	8.7%	10.9%	9.6%	10.7%

COMPARISON OF NINE MONTHS ENDED MARCH 31, 1998 TO NINE MONTHS ENDED MARCH 31, 1997

REVENUES. Revenues are derived from software licenses and services. Total revenues for the nine months ended March 31, 1998 increased 29.4% to $178.0 million from $137.6 million in the comparable period of fiscal 1997.

Software license revenues represented 53.7% and 52.1% of total revenues for the nine months ended March 31, 1998 and 1997, respectively. Revenues from software licenses in the nine months ended March 31, 1998 increased 33.2% to $95.5 million from $71.7 million in the comparable period of fiscal 1997. The growth in software license revenues was attributable to software license renewals covering existing users, the expansion of existing customer relationships through licenses covering additional users, licenses of additional software products, and, to a lesser extent, to the addition of new customers.

Total revenues from customers outside the United States were $80.7 million or 45.3% of total revenues and $66.6 million or 48.4% of total revenues for the nine months ended March 31, 1998 and 1997, respectively. The geographical mix of revenues can vary from quarter to quarter.

Revenues from service and other consist of consulting services, post-contract support on software licenses, training and sales of documentation. Revenues from service and other for the nine months ended March 31, 1998 increased 25.3% to $82.5 million from $65.9 million for the comparable period of fiscal 1997. This increase reflects a continued focus during fiscal 1998 on providing high value-added consulting and training services to existing customers.

Neither the Company's joint venture or similar activities nor any discounting or similar activities have 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 the nine months ended March 31, 1998 increased 21.4% to $5.0 million from $4.1 million in the comparable period of fiscal 1997. Cost of software licenses as a percentage of revenues from software licenses decreased to 5.2% for the nine months ended March 31, 1998 from 5.7% for the comparable period of fiscal 1997. 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 costs.

COST OF SERVICE AND OTHER. Cost of service and other consists of the cost of execution of application consulting services, technical support expenses, the cost of training services and the costs of manuals that are sold as separate items. Cost of service and other for the nine months ended March 31, 1998 increased 23.0% to $48.3 million from $39.3 million for the comparable period of fiscal 1997. Cost of service and other as a percentage of revenues from services and other decreased to 58.6% for the nine months ended March 31, 1998 from 59.7% for the comparable period of fiscal 1997. This percentage decrease reflects improved efficiency in the execution of the implementation services projects.

SELLING AND MARKETING. Selling and marketing expenses for the nine months ended March 31, 1998 increased 31.0% to $52.7 million from $40.2 million for the comparable period of fiscal 1997 while increasing slightly as a percentage of revenues to 29.6% from 29.2%. 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 of personnel and outside consultancy costs required to conduct the Company's product development efforts. Capitalized research and development costs are amortized over the estimated remaining economic life of the relevant product, not to exceed three years. Research and development expenses for the nine months ended March 31, 1998 increased 33.1% to $31.5 million from $23.7 million for the comparable period of fiscal 1997 while increasing as a percentage of total revenues to 17.7% from 17.2%. 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. The Company capitalized 8.4% of its total research and development costs during the nine months ended March 31, 1998 as compared to 5.9% in the comparable period of fiscal 1997.

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 expenses for the nine months ended March 31, 1998 increased 14.0% to $14.7 million from $12.9 million for the comparable period of fiscal 1997, while decreasing as a percentage of total revenues to 8.2% from 9.3%. These costs did not grow at the same rate as revenues, as the Company's infrastructure was able to support a larger revenue base; however, the increased dollar amounts reflect the growth in the scale and scope of the Company's operations.

CHARGE FOR IN-PROCESS RESEARCH AND DEVELOPMENT. In connection with several acquisitions during the nine months ended March 31, 1998 and 1997, the Company allocated approximately $8.5 million and $8.7 million, respectively, of the purchase prices to in-process research and development based upon independent appraisals. These costs were charged to operations as of the respective acquisition dates, because they related to projects that had not yet reached technological feasibility and that had no alternative future use until completion of development. At the respective times of the acquisitions, these projects required substantial additional development and testing by the Company in order to reach technological feasibility and there was no assurance that these projects would reach technological feasibility or develop into products that could be sold by the Company.

COST RELATED TO ACQUISITIONS. In connection with several acquisitions by the Company during the nine months ended March 31, 1998 that were accounted for as poolings of interests, the Company incurred $1.0 million in expenses, primarily investment banking and professional service fees related to the transactions.

INTEREST INCOME. Interest income is generated from the license of software pursuant to installment contracts for process design software and the investment of excess cash in short-term investments. Under these installment contracts, the Company offers customers the option to make annual payments for its term licenses instead of a single license fee payment at the beginning of the license term. A substantial majority of the process design 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 process design software out of their operating budgets, rather than out of their capital budgets. Included in the annual payments is an implicit interest 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 was $4.3 million for the nine months ended March 31, 1998 as compared to $4.0 million in the comparable period of fiscal 1997.

INTEREST EXPENSE. Interest expense is generated from interest charged on the Company's bank line of credit and capital lease obligations. Interest expense for the nine months ended March 31, 1998 and 1997 was approximately $0.1 million.

PROVISION FOR INCOME TAXES. The effective tax rate in the nine months ended March 31, 1998 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 for the nine months ended March 31, 1998 to 36.0% of pre-tax income from 38.0% for the comparable period of fiscal 1997. This decrease was primarily due to utilization of various tax credits and carryforwards.

COMPARISON OF FISCAL 1997 TO FISCAL 1996

The Company acquired DMCC and Setpoint in the third quarter of fiscal 1996 in transactions accounted for as purchases. The combined operations of DMCC and Setpoint at the time of acquisitions were roughly the same size as AspenTech. As a result, the Company's results of operations for fiscal 1997 and fiscal 1996 are not directly comparable.

REVENUES. Total revenues for fiscal 1997 increased 69.0% to $194.1 million from $114.8 million in fiscal 1996.

Software license revenues represented 53.2% and 61.1% of total revenues in fiscal 1997 and 1996, respectively. Revenues from software licenses in fiscal 1997 increased 47.0% to $103.2 million from $70.2 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 revenues 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 $97.0 million or 50.0% of total revenues and $48.2 million or 42.0% of total revenues for fiscal 1997 and 1996, respectively.

Since the acquisitions of DMCC and Setpoint, the Company has generated a significantly greater amount of revenues from services. As a result of the acquisitions and the subsequent expansion of the combined services execution capability, revenues from service and other in fiscal 1997 increased 103.7% to $90.9 million from $44.6 million in fiscal 1996.

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

COST OF SOFTWARE LICENSES. Cost of software licenses in fiscal 1997 increased 38.8% to $5.5 million from $4.0 million in fiscal 1996. Cost of software licenses as a percentage of revenues from software licenses decreased to 5.4% in fiscal 1997 from 5.7% 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 SERVICE AND OTHER. Cost of service and other in fiscal 1997 increased 98.4% to $54.0 million from $27.2 million in fiscal 1996. Cost of service and other as a percentage of revenues from service and other decreased to 59.4% in fiscal 1997 from 61.0% 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 53.1% to $56.0 million from $36.6 million in fiscal 1996 while decreasing as a percentage of total revenues to 28.9% from 31.9%. 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 continued 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 in fiscal 1997 increased 50.5% to $33.6 million from $22.3 million in fiscal 1996 while decreasing as a percentage of total revenues to 17.3% from 19.4%. The increase in costs principally reflected 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 6.6% and 3.9% of its total research and development expenses during fiscal 1997 and fiscal 1996, respectively.

GENERAL AND ADMINISTRATIVE. General and administrative expenses in fiscal 1997 increased 59.3% to $17.1 million from $10.7 million in fiscal 1996, and decreased as a percentage of total revenues to 8.8% from 9.3%. The decrease was 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 Control Limited, the planning and scheduling software division of Bechtel Corporation, and Basil

Joffe 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 in fiscal 1997 increased 48.4% to $5.6 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 in fiscal 1997 and fiscal 1996 was 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 fiscal 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 pre-tax income from 38.0% in fiscal 1996. This decrease was 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 transactions accounted for as purchases. The combined operations of DMCC and Setpoint at the time of the acquisitions were roughly the same size as AspenTech. As a result, the Company's results of operations for fiscal 1996 and fiscal 1995 are not directly comparable.

REVENUES. Total revenues in fiscal 1996 increased 73.9% to $114.8 million from $66.0 million in fiscal 1995.

Software license revenues represented 61.1% and 74.9% of total revenues in fiscal 1996 and fiscal 1995, respectively. Revenues from software licenses in fiscal 1996 increased 41.9% to $70.2 million from $49.5 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 the Company's acquisitions of DMCC and Setpoint.

Total revenues from customers outside the United States were $48.2 million or 42.0% of total revenues and $31.6 million or 47.8% of total revenues in fiscal 1996 and fiscal 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.

Since the acquisitions of DMCC and Setpoint, the Company has generated a significantly greater amount of revenues from services. As a result, revenues from service and other in fiscal 1996 increased 169.8% to $44.6 million from $16.5 million in fiscal 1995.

COST OF SOFTWARE LICENSES. Cost of software licenses in fiscal 1996 increased 29.6% to $4.0 million from $3.1 million in fiscal 1995. Cost of software licenses as a percentage of revenues from software licenses decreased to 5.7% in fiscal 1996 from 6.2% 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 SERVICE AND OTHER. Cost of service and other in fiscal 1996 increased 170.8% to $27.2 million from $10.1 million in fiscal 1995. Cost of service and other as a percentage of revenues from service and other increased slightly to 61.0% in fiscal 1996 from 60.8% in fiscal 1995.

SELLING AND MARKETING. Selling and marketing expenses in fiscal 1996 increased 50.8% to $36.6 million from $24.3 million in fiscal 1995 while decreasing as a percentage of total revenues to 31.9% from 36.8%. The percentage decrease reflected 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 76.3% to $22.3 million from $12.7 million in fiscal 1995 and increased as a percentage of total revenues to 19.4% from 19.2%. The increase in expenses principally reflected continued investment in development of the Company's core modeling products and a common software architecture encompassing the Company's expanded suite of software products, as well as a reduction in the amount of research and development capitalized during the period. The Company capitalized 3.9% and 7.3% of its total research and development expenses during fiscal 1996 and fiscal 1995, respectively.

GENERAL AND ADMINISTRATIVE. General and administrative expenses in fiscal 1996 increased 88.7% to $10.7 million from $5.7 million in fiscal 1995, and increased as a percentage of total revenues to 9.3% from 8.6%. 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 19.3% 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 38.0% of pre-tax income from 40.6% 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 and cash flow 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 introductions of new solutions and enhancements by the Company and its competitors, and fluctuating economic conditions. Because license fees for the Company's software products are substantial and the implementation of the Company's solutions often requires the services of the Company's engineers over an extended period of time, the sales process for the Company's solutions is lengthy and can exceed one year. Accordingly, software revenue is difficult to predict, and the delay of any order could cause the Company's quarterly revenues to fall substantially below expectations. Moreover, to the extent that the Company succeeds in shifting customer purchases away from point solutions and toward integrated suites of its software and service solutions, the likelihood of delays in ordering may increase and the effect of any delay may become more pronounced.

The Company ships software products within a short period after receipt of an order and usually does not have a material backlog of unfilled orders of software products. Consequently, revenues from software licenses in any quarter are substantially dependent on orders booked and shipped in that quarter. Historically, a majority of each quarter's revenues from software licenses has been derived from license agreements that have been consummated in the final weeks of the quarter. Therefore, even a short delay in the consummation of an agreement may cause revenues to fall below expectations for that quarter. Since the Company's expense levels are based in part on anticipated 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 disproportionately adverse effect on net income. The Company expects that these factors will continue to affect its operating results for the foreseeable future.

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 total 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. Although the Company has generated a profit for the first quarter of each of fiscal 1997 and fiscal 1998, the Company expects that it will continue to experience declines in total revenues and net income in the first fiscal quarter as compared to the immediately preceding fiscal quarter.

Because of the foregoing factors, the Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as indications of future performance. See "--Risk Factors--Fluctuations in Quarterly Operating Results and Cash Flow."

The following table presents selected supplemental quarterly statement of operations data for fiscal 1997 and the nine months ended March 31, 1998. These data are unaudited but, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of these data in accordance with generally accepted accounting principles.

	QUARTER ENDED						
	FISCAL 1997				FISCAL 1998		
	SEPT. 30	DEC. 31	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	MAR. 31
	(IN THOUSANDS)						
Revenues:							
Software licenses	$17,049	$24,988	$29,704	$31,438	$24,388	$32,465	$38,691
Service and other	20,371	22,059	23,428	25,033	25,065	27,738	29,697
Total revenues	37,420	47,047	53,132	56,471	49,453	60,203	68,388
Expenses:							
Cost of software licenses	982	1,456	1,652	1,449	1,672	1,752	1,540
Cost of service and other	12,230	13,256	13,829	14,691	14,712	16,356	17,274
Selling and marketing	11,778	13,483	14,962	15,811	15,186	17,621	19,876
Research and development	7,494	7,701	8,491	9,894	10,163	10,358	10,998
General and administrative	3,979	4,249	4,626	4,218	4,502	4,839	5,309
Charge for in-process research and development	--	8,664	--	--	--	--	8,472
Costs related to acquisition	--	--	--	--	509	--	475
Total expenses	36,463	48,809	43,560	46,063	46,744	50,926	63,944
Income (loss) from operations	957	(1,762)	9,572	10,408	2,709	9,277	4,444
Other expense, net	(22)	(88)	--	(100)	(67)	(91)	(162)
Interest income, net	1,376	1,292	1,199	1,538	1,453	1,347	1,358
Income (loss) before provision for income taxes	2,311	(558)	10,771	11,846	4,095	10,533	5,640
Provision for income taxes	879	1,367	4,022	3,901	1,460	3,791	5,073
Net income (loss)	$ 1,432	$(1,925)	$ 6,749	$7,945	$ 2,635	$ 6,742	$ 567

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 the Company's 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, services, businesses or engineering personnel that expand, complement or are otherwise related to the Company's current business and products. See "--Risk Factors -- Risks Associated with Future Acquisitions."

In fiscal 1997 and the nine months ended March 31, 1998, operating activities provided $3.1 million and $20.2 million of cash, respectively, 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 fiscal 1995, operating activities provided $19.7 million and $4.9 million of cash, respectively, primarily as a result of 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 the nine months ended March 31, 1998, installment contracts increased by $1.1 million to $51.1 million, net of $44.1 million of installment contracts sold to General Electric Capital Corporation and Sanwa Business Credit Corporation. 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 March 31, 1998, June 30, 1997 and June 30, 1996, the balance of the uncollected principal portion of the contracts sold to these two financial institutions was $87.7 million, $57.8 million and $42.7 million, respectively, for which the Company had partial recourse obligations of $5.0 million, $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.

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 March 31, 1998) equal to the bank's prime rate plus a specified margin or, at the Company's option, a rate (5.7% at March 31, 1998) equal to a defined LIBOR plus a specified margin. 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 May 31, 1998, there were no outstanding borrowings under the line of credit.

The Company's commitments as of March 31, 1998 consisted primarily of leases on its headquarters and other facilities. See "--Business -- Properties." 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, together with its net proceeds of the proposed debenture placement, will be sufficient to meet its working capital and capital expenditure requirements for the next 12 months. The Company intends to raise additional funds in June 1998 through an offering and placement of $75,000,000 aggregate principal amount of seven-year debentures to qualified institutional buyers (as defined in Rule 144A under the Securities Act).

Management has initiated a Company-wide program to prepare the Company's computer systems and applications as well as the Company's product offerings for the year 2000. The Company expects to incur internal staff costs as well as consulting and other expenses related to system enhancements for the year 2000. Certain of the Company's product offerings are currently year 2000 compliant. Although the Company does not expect the costs associated with its year 2000 compliance program to be material, there can be no assurance that unidentified year 2000 problems will not cause the Company to incur material expenses in responding to such problems or otherwise have a material adverse effect on the Company's business, operating results and financial condition. See "--Risk Factors -- Year 2000 Compliance."

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 the remainder of fiscal 1998 or during fiscal 1999.

BUSINESS

AspenTech is the leading supplier of software and service solutions used by companies in the process industries to design, operate and manage their manufacturing processes. The process industries include manufacturers of chemicals, petrochemicals, petroleum products, pharmaceuticals, pulp and paper, electric power, food and beverages, consumer products, and metals and minerals. AspenTech offers a comprehensive, integrated suite of process manufacturing optimization solutions that help process manufacturers enhance profitability by improving efficiency, productivity, capacity utilization, safety and environmental compliance throughout the entire manufacturing life-cycle, from research and development to engineering, planning and scheduling, procurement, production and distribution. In addition to its software solutions, AspenTech offers systems implementation, advanced process control, real-time optimization and other consulting services through its staff of more than 450 project engineers. As part of its strategy to offer the broadest, most integrated suite of process manufacturing optimization solutions, AspenTech has acquired businesses from time to time to obtain technologies and expertise that complement or enhance its core solutions. AspenTech currently has more than 750 customers worldwide, including 44 of the 50 largest chemical companies, 17 of the 20 largest petroleum refiners and 16 of the 20 largest pharmaceutical companies.

INDUSTRY BACKGROUND

Companies in the process industries manufacture products in the form of bulk solids, liquids and gases by using production methods involving chemical reactions, combustion, mixing, separation, heating, cooling and similar processes. The process industries encompass manufacturers of chemicals, petrochemicals, petroleum products, pharmaceuticals, pulp and paper, electric power, food and beverages, consumer products, and metals and minerals. Companies in a number of other industries, such as semiconductor manufacturing, utilize production techniques with characteristics similar to those underlying process manufacturing.

In recent years, intensifying global competition and more stringent environmental and safety regulations have placed increased pressure on the profitability of companies in the process industries. The profitability of these companies depends substantially upon the costs of raw materials, energy and capital; accordingly, the management and utilization of these inputs significantly affect the companies' financial results. Unlike labor-intensive businesses, which can materially change the scale of their business operations by adjusting the sizes of their labor forces, process manufacturers must focus on improving their production methods in order to increase output, lower costs and reduce waste. Because of the large volumes typically produced by process manufacturers, even a relatively small reduction in raw material or energy requirements or a relatively small improvement in throughput or product yields can have a dramatic impact on the profitability of the manufacturing process.

Improvement of production methods in the process industries requires a thorough understanding of chemical engineering analysis, the fundamental discipline underlying the manufacturing processes. Due to the number of variables involved, chemical engineering analysis is complex and calculation intensive. Because of this complexity, many process manufacturers are seeking technology-based solutions to aid them in their process manufacturing decisions, with the objective of moving toward optimization of their production processes under existing process and equipment constraints.

Increasingly sophisticated process manufacturing optimization solutions have been introduced to assist process manufacturers in optimizing the design, operation and management of their manufacturing processes. In designing manufacturing processes, engineers use tools on desktop computers to simulate a new or existing process and to optimize tradeoffs between variables such as capital investment and operating costs. During operation of the manufacturing process, plant operators rely on automation systems installed in the plant to control and optimize the manufacturing process by, for example, accepting a lower yield to increase overall throughput. To manage the production process, plant managers use information systems to perform tasks such as planning and scheduling of production, analysis and reporting of performance, and yield accounting. Although early versions of process manufacturing optimization solutions were limited in scope and complicated to use, the availability of increasingly powerful, affordable computers and networks and sophisticated intuitive graphical user interfaces has expanded the capabilities of the solutions and the market of potential users.

Process manufacturing optimization solutions include applications to address a broad range of manufacturing activities, including the following:

DESIGN	OPERATE	MANAGE
Process Modeling	Advanced Process Control	Process Information Management
Design Analysis & Optimization	Real-time Optimization	Production Scheduling & Planning
Process Improvements	Operator Training	Quality Assurance
Plant Retrofits		Environmental, Health & Safety Compliance

Many process manufacturers have implemented solutions to automate processes outside the actual methods of production. For many years, companies in the process industries have sought to control their production processes by deploying distributed control systems ("DCS"), which use computer hardware systems, communication networks and industrial instruments to measure, record and automatically control process variables during production. More recently, process manufacturers have automated key business processes through the implementation of enterprise resource planning ("ERP") solutions that enhance their ability to manage resources across the enterprise and enable them to integrate front- and back-office business functions. DCS and ERP solutions generally do not, however, incorporate the detailed chemical engineering knowledge of the process required to optimize the operation and management of the production process.

Process manufacturers are increasingly seeking a complete, integrated family of process manufacturing optimization software products and services that can be used to improve their efficiency and productivity throughout the entire manufacturing life-cycle, while at the same time establishing links with the process manufacturers' existing DCS and ERP solutions.

THE ASPENTECH ADVANTAGE

AspenTech is the leading supplier of software and service solutions that enable companies in the process industries to optimize the design, operation and management of their manufacturing processes. AspenTech's comprehensive suite of solutions helps process manufacturers enhance profitability by improving efficiency, productivity, capacity utilization, safety and environmental compliance throughout the entire manufacturing life-cycle. AspenTech believes its customers increasingly view their investments in its solutions as strategic because of the substantial potential economic benefits these solutions offer and the broad range of production issues they address. The Company's competitive advantage is based on the following key attributes:

TECHNOLOGY LEADERSHIP. AspenTech believes it is the technology leader among providers of process manufacturing optimization solutions. The Company has achieved this technology leadership through internal research and development and strategic acquisitions and partnerships. For example, the Company obtained the leading advanced process control and optimization technologies through its acquisitions of DMCC and Setpoint in 1996. In 1997, AspenTech introduced Batch Plus, a commercialized version of recipe-based simulation functionality developed in collaboration with Merck & Co., Inc. AspenTech has integrated acquired technologies with existing products in order to offer solutions that include the best features and functionality of both. Moreover, the Company has designed its software solutions to operate on all major operating system platforms used by process manufacturers and to be compatible with all major distributed control systems.

BROADEST SUITE OF INTEGRATED SOLUTIONS. AspenTech believes its solutions represent the most complete suite of integrated software and services available for the design, operation and management of manufacturing processes in the process industries. Process manufacturers are able to use AspenTech's solutions across every stage of the manufacturing life-cycle, from research and development to engineering, planning and scheduling, procurement, production and distribution. The Company is continuing to integrate its software products in order to further increase the ability of its customers to share models and data across different AspenTech software solutions. In October 1997, AspenTech announced the introduction of Plantelligence, a framework within which AspenTech has begun to offer integrated solutions designed to address specific functional problems, such as production planning or purchasing raw material feedstocks. Plantelligence is being developed to permit, for example, a buyer for a petroleum refinery to determine how much it will cost to refine a specific boatload of crude oil under then-current operating conditions. This information can then be used to help the buyer decide whether it is economically desirable to purchase that crude oil at then-prevailing prices. The buyer can perform these analyses using a single graphical user interface, without needing to understand the individual AspenTech software solutions used to perform the analysis.

UNPARALLELED PROCESS INDUSTRY EXPERTISE. Over the past 17 years, AspenTech has established a reputation as a leading source of process manufacturing optimization expertise. AspenTech's significant base of chemical engineering and process manufacturing experience and knowledge serves as the foundation for the proprietary solution methods, physical property models and data estimation techniques embodied in its software solutions. AspenTech has enhanced its knowledge and understanding of process manufacturing optimization solutions over time through extensive interaction with its customers, which have performed millions of simulations using AspenTech software. These customer relationships have also enabled AspenTech to identify and develop or acquire solutions that best meet the needs of its customers. To complement its software expertise, AspenTech has assembled a staff of more than 450 project engineers to provide implementation, advanced process control, real-time optimization and other consulting services to its customers. AspenTech believes this large engineering team provides an important source of competitive differentiation.

STRATEGY

AspenTech's principal objective is to extend its leadership in providing solutions for process manufacturers to optimize the design, operation and management of their manufacturing processes. AspenTech's strategy to achieve this objective includes the following key elements:

EXTEND TECHNOLOGY LEADERSHIP POSITION. AspenTech believes that it offers the most technologically advanced solutions available for the design, operation and management of manufacturing processes, particularly in the areas of process simulation, advanced process control, real-time optimization, scheduling and planning, and process information management. In order to extend the technological leadership of its individual software solutions, AspenTech intends to continue to invest in research and development and to identify and pursue opportunities for strategic acquisitions of complementary technologies and expertise. The Company believes that additional use of its individual software solutions in recent years has provided process manufacturers with increased evidence of the economic benefits that may be obtained from implementation of those solutions. The Company believes, however, that further integration of the Company's individual software solutions will provide process manufacturers with even greater economic benefits. To capitalize on this opportunity, the Company intends to continue to integrate its individual software solutions and to further develop Plantelligence.

LEVERAGE INSTALLED CUSTOMER BASE. AspenTech has historically derived a significant portion of its revenue from additional sales to its existing customers, which it believes are significantly underpenetrated with respect to its solutions. AspenTech currently has more than 750 customers worldwide, including 44 of the 50 largest chemical companies, 17 of the 20 largest petroleum refiners and 16 of the 20 largest pharmaceutical companies. AspenTech considers its relationships with its existing customers to be an important corporate asset. AspenTech believes it has significant opportunities to continue to derive additional revenue from its existing customers by increasing the number of users of currently licensed software, licensing additional software modules and applications, offering consulting services to supplement licensed software, and cross-selling complementary solutions.

INCREASE PENETRATION ACROSS PROCESS INDUSTRIES. In recent years, AspenTech has taken advantage of strategic acquisitions and partnership arrangements to extend its customer base beyond its early leadership in the chemicals industry to include a significant market share of the petroleum, petrochemicals and pharmaceuticals industries. Many companies in other process industries confront the same imperatives and opportunities that face chemical, petroleum, petrochemical and pharmaceutical companies. The Company is extending its customer base to include companies in other process industries, particularly the pulp and paper, electric power, metals and minerals, and food and beverage industries, as well companies in the semiconductor industry. In expanding its presence in a targeted process industry, the Company's approach is to first seek to establish relationships with a small number of technologically advanced companies in the industry. The Company then gains expertise in the targeted process industry through the hiring of a core group of personnel with significant experience in that industry or through acquisitions or partnering arrangements. In addition, where necessary, AspenTech refines its solutions based on feedback from its initial customers in order to address the specific needs of the industry. AspenTech believes that opportunities to expand the use of its technology in additional vertical markets are increasing as the benefits of its solutions are becoming more widely understood by process manufacturers.

PURSUE STRATEGIC ACQUISITIONS. AspenTech intends to continue to seek strategic acquisitions that will provide it with complementary products and technologies, as well as with additional engineering personnel to perform consulting services and software development. Since May 1995, AspenTech has completed 14 acquisitions that have provided the Company with, or significantly enhanced, its capabilities in the areas of process information management, advanced process control and optimization, advanced planning and scheduling, and supply chain management. AspenTech has successfully integrated the operations of 12 of these acquired businesses and is in the process of integrating the operations of the remaining 2 businesses, which were acquired in late May 1998. The Company believes that its recent acquisition of Chesapeake will enable the Company to offer supply chain management solutions that augment its existing suite of solutions and will provide the Company with cross-selling opportunities in additional process industries. See "--Software and Service Solutions -- Acquisitions of Software and Service Solutions."

PARTNER WITH COMPLEMENTARY PROCESS INDUSTRY SUPPLIERS. AspenTech believes that process manufacturers are increasingly seeking process manufacturing optimization solutions that will be compatible with their existing technologies and enable them to implement seamless enterprise-wide solutions. In response to this trend, the Company has completed a certified interface with the SAP R/3 ERP solution and has also completed interfaces with all major DCS, including those offered by The Foxboro Company and Honeywell Inc. From time to time, AspenTech enters into working relationships with other industry vendors, including companies with which the Company sometimes competes, on a customer-by-customer basis. AspenTech has entered into partnering agreements with DCS vendors such as Elsag Bailey, Inc. and Yokagawa Electric Corporation to provide process manufacturing optimization solutions for their customers, and with a limited number of consulting and solutions vendors. For example, the Company has partnered with Intergraph Corporation, a computer-aided design company, to provide integrated process and plant design solutions. The Company expects to enter into additional partnering arrangements with providers of complementary products and services, including process licensors, DCS suppliers, engineering and construction firms, and industry consulting firms.

SOFTWARE AND SERVICE SOLUTIONS

AspenTech offers a comprehensive suite of software and service solutions that enable process manufacturers to optimize the design, operation and management of their manufacturing processes. AspenTech's solutions capture process knowledge in consistent, accurate and reliable models that customers can use as the basis for decision-making across the entire manufacturing life-cycle and provide vital functionality for elements of the manufacturing process that other software applications, such as ERP and DCS software, do not address. Certain of AspenTech's software solutions can be linked with ERP solutions and DCS to improve a customer's ability to gather, analyze and use information across the entire process manufacturing life-cycle. To enable its customers to take full advantage of its software solutions, AspenTech also offers comprehensive expert consulting, training and support services.

PROCESS DESIGN SOFTWARE SOLUTIONS

AspenTech offers a number of software solutions for the design and analysis of new and existing manufacturing facilities and processes. The following table describes the Company's principal process design software solutions and their applications:

SOFTWARE SOLUTION	DESCRIPTION	APPLICATIONS
Aspen Plus	Rigorous steady-state modeling system for simulating chemically-based manufacturing processes involving vapors, liquids, solids and electrolytes with a library of equipment and physical property models.	Used to design processes, evaluate process changes and analyze "what-if" scenarios.
DynaPlus/ SPEEDUP	Rigorous modeling system for simulating processes under changing (dynamic) conditions with a library of equipment and controller models.	Used to examine process operability, safety and control as operating parameters fluctuate during plant startup and shutdown and other transient conditions.
Batch Plus	Batch process modeling system for recipe-based processes.	Used to scale-up and design new processes, and to analyze the production of one batch or an entire batch plant.
Aspen Zyqad	System for integrating, automating and managing data, applications and activities in the engineering work process.	Used to integrate and automate work flow between engineers designing new process plants or improving existing facilities.

Layered on top of these core, integrated applications are a number of separately licensed modules that focus on specialized types of analysis for modeling polymer processes, heat exchanger equipment, separation systems, batch distillation columns, adsorption processes and other complex systems. All of these process design software solutions can operate in Windows. Aspen Plus and SPEEDUP also run on DEC VMS and UNIX.

AspenTech typically licenses its process design software solutions for a term of three to five years. The annual cost for a single user of one of AspenTech's process design software solutions ranges from $10,000 to $30,000, depending on the solution, the license term and the number of licensed users. The license fee includes a separate maintenance component that covers customer support, upgrades, revisions and enhancements during the term of the license.

Implementation of AspenTech's process design software solutions does not typically require substantial consulting services, although services may be provided for customized model designs and process synthesis.

PROCESS OPERATION SOFTWARE SOLUTIONS

AspenTech offers several solutions that enable customers to better control and optimize actual plant operations on a real-time basis. The following table describes the Company's principal process operation software solutions and their applications:

SOFTWARE SOLUTION	DESCRIPTION	APPLICATIONS
Aspen RT-Opt........	Real-time optimization system.	Used to identify plant adjustments in order to optimize operations on a real-time basis.
DMCplus.............	Advanced process control system using multi-variable model-predictive control technology.	Used to tightly control actual plant operations at multiple operating constraints.
OTISS...............	System for developing operator training simulators.	Used to train operators to better manage daily plant operations and respond to abnormal situations.

Aspen RT-Opt operates on DEC VMS and UNIX. DMCplus operates on Windows, DEC VMS and UNIX. OTISS operates on UNIX, Hewlett-Packard and Sun Solaris.

AspenTech typically licenses its process operation software solutions for terms of 99 years. The list price for a 99-year license of Aspen RT-Opt or DMCplus generally ranges from $50,000 to $200,000, depending on the solution and on whether the license covers a single process unit or an entire facility. The list price for a 99-year license of OTISS is approximately $50,000. Maintenance of process operation software solutions is available under separate contracts.

Implementation of AspenTech's process operation software solutions typically requires substantial consulting services.

PROCESS MANAGEMENT SOFTWARE SOLUTIONS

AspenTech offers a number of solutions for the management of a broad range of business activities related to manufacturing, from what, how and when to create products, to raw material procurement, to current plant optimization, to product distribution. The following table describes AspenTech's principal process management software solutions and their respective applications:

SOFTWARE SOLUTION	DESCRIPTION	APPLICATIONS
InfoPlus.21.....	Process information management system with a real-time database of historical information.	Used to compare real-time and historical information generated by plant systems to present a unified view of plant operations.
MIMI...........	Supply chain management system, including demand management, inventory control and available-to-promise.	Used to identify best supply chain decisions to maximize asset utilization, minimize raw material costs, maximize product values and control inventories.
Aspen PIMS......	Linear programming-based economic planning and scheduling system.	Used to identify short-term and strategic decisions on feedstock purchases, capacity utilization and production planning.
Aspen ADVISOR...	Yield-accounting solution.	Used to track inventory and material movements into, through and out of processing plants, in order to enable manufacturers to report production data accurately to ERP and other business systems.
1stQuality......	System to address issues in polymer manufacturing.	Used to integrate the management, usage and monitoring of operating conditions to reduce transition time, improve product consistency and monitor process compliance.

All of the Company's process management software solutions can operate in Windows.

AspenTech typically licenses InfoPlus.21, MIMI, Aspen ADVISOR and 1stQuality for terms of 99 years and typically licenses Aspen PIMS for a term of 5 years or 25 years. The list price for an entry-level 99-year InfoPlus.21 license is approximately $50,000 and varies depending on the number of points of data being collected. The list price for an entry-level 99-year multi-user site license for MIMI is approximately $220,000. The list price for a license of Aspen PIMS modules ranges from $10,000 to $200,000, depending on the solution and the license term. The list price for an entry-level 99-year Aspen ADVISOR license ranges from $50,000 to $200,000, depending on the number of nodes, and the list price for an entry-level 99-year 1stQuality license is approximately $150,000 per plant.

Implementation of AspenTech's process management software solutions typically requires consulting services, although not to the same extent as its process operation software solutions.

CONSULTING SERVICES

AspenTech offers implementation, advanced process control, real-time optimization and other consulting services in order to provide its customers with complete solutions. Although customers frequently can use AspenTech's process design software solutions without assistance from AspenTech, many of the projects in which customers deploy AspenTech's process operation software solutions and process management software solutions are sufficiently complex that customers require assistance from AspenTech in order to take full advantage of the benefits of those solutions. Customers that obtain consulting services from AspenTech typically engage AspenTech to provide such services over periods of between 1 day and 24 months. AspenTech generally charges customers for consulting services on a fixed-price basis, but charges customers for certain services, primarily on-site advanced process control and optimization services, on a time-and-materials basis.

AspenTech employs a staff of more than 450 project engineers to provide consulting services to its customers. AspenTech believes this large team of experienced and knowledgeable project engineers provides an important source of competitive differentiation. AspenTech primarily hires as project engineers individuals who have obtained doctoral or master's degrees in chemical engineering or a related discipline or who have significant relevant industry experience. AspenTech employees include experts in fields ranging from thermophysical properties, distillation, adsorption processes, polymer processes, industrial reactor modeling, the identification of empirical models for process control or analysis, large scale optimization, supply distribution systems modeling and scheduling methods.

Historically, most licensees of AspenTech's planning and scheduling solutions and a limited number of licensees of process information management systems have obtained implementation consulting services from third-party vendors. AspenTech intends to continue to develop relationships with third-party consultants in order to provide a secondary channel of consulting services to support the Company's process management software solutions.

ACQUISITIONS OF SOFTWARE AND SERVICE SOLUTIONS

As part of its strategy to offer the broadest, most integrated suite of software and service solutions for the design, operation and management of manufacturing processes, AspenTech from time to time acquires businesses to obtain technologies and expertise that complement or enhance AspenTech's core solutions. AspenTech typically combines acquired technologies with its pre-existing products in order to offer solutions that include the best features and functionality of both. The Company provides an upward migration path and support for any discontinued products.

AspenTech has completed 15 acquisitions that have provided the Company with, or significantly enhanced, its capabilities in the areas of process information management, advanced process control and optimization, advanced planning and scheduling, and supply chain management. AspenTech has successfully integrated the operations of 13 of these acquired businesses and is in the process of integrating the operations of the remaining 2 businesses, which were acquired in late May 1998. The following table describes AspenTech's acquisitions to date:

BUSINESS ACQUIRED	DATE ACQUIRED	SOLUTION ACQUIRED OR ENHANCED
Prosys Technology Limited..........	October 16, 1991	SPEEDUP
Industrial Systems, Inc.	May 25, 1995	Components of InfoPlus.21
Dynamic Matrix Control Corporation......................	January 5, 1996	Components of DMCplus and Aspen RT-Opt
Setpoint, Inc.	February 9, 1996	Components of DMCplus, Aspen RT-Opt and InfoPlus.21
B-JAC International, Inc.	October 1, 1996	Heat exchanger modeler
Process Control Division of Cambridge Control Limited........	October 8, 1996	Consulting service capabilities for advanced process control and optimization
Basil Joffe Associates, Inc. and PIMS division of Bechtel Corporation......................	December 31, 1996	Aspen PIMS
NeuralWare, Inc.	August 27, 1997	Neural network technology and tools integrated with Aspen Plus, DMCplus and InfoPlus.21
The SAST Corporation Limited	August 28, 1997	OTISS and consulting service capabilities
Cimtech S.A./N.V.	February 27, 1998	Components of InfoPlus.21
Contas Process Control S.r.L.......	February 27, 1998	Consulting service capabilities for advanced process control and optimization
IISYS, Inc.	March 6, 1998	Aspen ADVISOR
Zyqad Limited......................	March 16, 1998	Aspen Zyqad
Chesapeake Decision Sciences, Inc.	May 27, 1998	MIMI
Treiber Controls, Inc.	May 29, 1998	Software and consulting service capabilities for advanced process control and optimization

TECHNOLOGY AND PRODUCT DEVELOPMENT

AspenTech's software and service solutions combine AspenTech's sophisticated modeling capabilities, based on fundamental chemical engineering principles, with its extensive experience with a broad variety of manufacturing processes in the chemicals, petrochemicals, petroleum, pharmaceuticals and other industries. AspenTech's technology enables customers not only to design models for particular manufacturing processes but also to use those models to operate and manage those manufacturing processes. AspenTech's models employ advanced mathematical algorithms developed by employees of AspenTech and others, such as the dynamic matrix control algorithm for multi-variable, model-based predictive control and the inside-out algorithm for simulating distillation. AspenTech has used these advanced algorithms to develop proprietary models that provide highly accurate representations of the chemical and physical properties of a broad range of materials typically encountered in the chemicals, petroleum, and other process industries.

AspenTech has also created rigorous models of a variety of equipment used in these process manufacturing facilities, such as heat exchangers, distillation columns and compressors. AspenTech believes that the development and refinement of highly accurate models such as those developed by AspenTech require a thorough understanding of both the fundamental chemistry underlying manufacturing processes and the technology of modeling. AspenTech has been able to develop and refine its models only as a result of its close familiarity with millions of simulations by its customers. AspenTech believes that few companies have a base of knowledge and experience in the process modeling industry as extensive as that of AspenTech.

AspenTech's most important product development objective is to build upon the technical leadership of its software solutions, both individually and as integrated solutions. Product development activities are currently focused 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 suite of software solutions, and integrating those software products with other tools. As of March 31, 1998, AspenTech employed a product development staff of 398 persons.

CUSTOMERS

AspenTech software solutions are installed at more than 750 customers worldwide. The following table sets forth a selection of AspenTech's customers, whose agreements with AspenTech produced at least $250,000 in fees to AspenTech in fiscal 1997 or fiscal 1998 to date:

CHEMICALS
Air Products & Chemicals, Inc.
Allied Signal, Inc.
BASF AG
Bayer AG
The Dow Chemical Company
E.I. du Pont de Nemours & Company, Inc.
Elf Atochem
Equistar Chemicals LP
Hoechst AG
Huls AG
Huntsman Corporation
Imperial Chemical Industries plc
Mitsubishi Chemical Corporation
Rhone-Poulenc Industrialisation
Sasol Industries (Pty.) Ltd.
Shell International Chemie Mij B.V.
Union Carbide Chemicals and Plastics Company, Inc.
Wellman, Inc.
Westlake Management Services Corporation

CONSUMER PRODUCTS
3M Company
The Goodyear Tire & Rubber Company
The Procter & Gamble Company
Unilever Research

ELECTRIC POWER
British Nuclear Fuels plc

FOOD AND BEVERAGE
Cargill Incorporated
General Mills, Inc.
Nestle UK Ltd.

METALS AND MINERALS
Phelps Dodge
Aluminum Company of America

PETROLEUM PRODUCTS
Agip Petroli S.p.A.
Amoco Corporation
Arco Products Company
British Petroleum
Chevron Corporation
Citgo Petroleum Corporation
Exxon Company U.S.A.
Instituto Mexicano del Petroleo
Marathon Oil Company
Mobil Oil Corporation
Neste Oy
Pemex Gas y Petroquimica Basica
Petroleus de Venezuela, S.A.
Phillips Petroleum Company
Repsol Petroleo SA
RVI
Shell Oil Company
Star Enterprise
Sun Refining and Marketing Company
Sunoco Inc.
Texaco Refining & Marketing Company
UOP
Valero Refining Company

PHARMACEUTICALS
Genentech, Inc.
Hoffman-LaRoche, Inc.
Merck & Co., Inc.
Novartis Pharma A.G.

PULP AND PAPER
Buckeye Cellulose Corporation
Weyerhaeuser Company

SEMICONDUCTORS
Cypress Corporation
LSI Logic Corporation
Rockwell International Corporation

AspenTech's customers also include a number of engineering and construction firms, such as Bechtel Corporation, Fluor Daniel, Inc. and The M.W. Kellogg Company, which have entered into software license agreements with AspenTech and which offer products and services to the process industries.

For fiscal 1996, fiscal 1997 and the nine months ended March 31, 1998, international revenues accounted for approximately 42.0%, 50.0% and 45.3%, respectively, of AspenTech's total revenues. No individual customer represented more than 10% of AspenTech's total revenues in fiscal 1995, 1996 or 1997. There can be no assurance that any of the customers listed above will continue to license software or purchase services from AspenTech beyond the term of any existing agreement.

SALES AND MARKETING

AspenTech employs a value-based sales approach, offering customers a comprehensive suite of software and service solutions that enhance the efficiency and productivity of their process manufacturing operations. AspenTech has increasingly focused on selling its solutions as a strategic investment by its customers and therefore targets its principal sales efforts at senior management levels, including chief executive officers and senior decision-makers in manufacturing, operations and technology.

Because the complexity and cost of AspenTech's solutions often result in a sales cycle of between six and nine months, AspenTech believes that the development of long-term, consultative relationships with its customers is essential to a successful selling strategy. To develop these relationships, AspenTech organizes its worldwide sales force by industry and appoints a single sales account manager to be responsible for AspenTech's relationship with each customer. In order to market the specific functionality and other complex technical features of AspenTech's software solutions, each sales account manager leads a specialized team of regional account managers, technical sales engineers and product specialists organized for each sales and marketing effort. AspenTech's technical sales engineers typically have advanced degrees in chemical engineering or related disciplines and actively consult with the customer's plant engineers who would be the ultimate users of AspenTech's solutions. Product specialists share their detailed knowledge of the specific features of AspenTech's software solutions. Each sales team also includes participants from AspenTech's business development group who determine the scope and price of service solutions offered to customers.

In order to market AspenTech's newly acquired supply chain management software solutions, AspenTech intends to utilize its existing sales and marketing organization for sales to AspenTech's existing clients and to assemble a separate team for sales to supply chain software customers. AspenTech expects that this team will be able to identify opportunities to cross-sell AspenTech's other software solutions to customers in industries outside AspenTech's traditional process industry markets.

AspenTech believes that its seasoned direct sales force, consisting of 118 individuals as of March 31, 1998, and its ability to sell at senior levels within customer organizations are important competitive advantages. AspenTech has established direct sales offices in key geographic areas where there are high concentrations of potential business, including New Jersey, Texas, Brussels, Cambridge (England), Dusseldorf, Hong Kong, Paris, Singapore and Tokyo. In geographic areas of lower customer concentration, AspenTech uses sales agents and other resellers to leverage its direct sales force and to provide local coverage and first-line support.

The Company also supplements its direct sales efforts with a variety of marketing initiatives, including public relations activities, campaigns to promote awareness among industry analysts, user groups and the Company's triennial conference, AspenWorld. AspenWorld has become a prominent forum for industry participants, including process manufacturing executives and analysts, to discuss emerging technologies and other process engineering solutions and to attend seminars led by industry experts. The AspenWorld 97 conference, held in October 1997, attracted more than 1,400 participants.

AspenTech also licenses its software solutions at a substantial discount to universities that agree to use its solutions in teaching and research. AspenTech believes that students' familiarity with its solutions will stimulate future demand once the students enter the workplace. Currently, more than 550 universities use the Company's software solutions in undergraduate instruction.

COMPETITION

AspenTech faces three primary sources of competition: commercial vendors of software products for one or more elements in the design, operation and management of manufacturing processes; vendors of hardware that offer software solutions in order to add value to their proprietary DCS; and large companies in the process industries that have developed their own proprietary software solutions. AspenTech believes that suppliers of individual software solutions are under intensifying pressure to offer integrated functionality beyond their traditional applications and that, at the same time, process manufacturers are increasingly concluding that it is no longer efficient or economical for them to continue to develop or support internally developed software. Certain competitors also supply related hardware products to existing and potential customers of AspenTech and may have established relationships that afford those competitors an advantage in supplying software and services to those customers. AspenTech believes, however, that customers prefer to select best-in-class software solutions, independent of their selection of underlying industrial automation hardware platforms. AspenTech does not offer its solutions with any particular hardware and designs its software products to operate effectively on systems manufactured by all major hardware vendors. As the market for manufacturing process optimization solutions consolidates further, AspenTech believes that its exclusive focus on developing and marketing best-in-class software and services will continue to provide a competitive advantage.

Because of the breadth of its software and service offerings, AspenTech faces competition from different vendors depending on the solution in question. AspenTech competes with respect to the largest number of its solutions with Simulation Sciences, Inc., a subsidiary of Siebe plc. With respect to particular software solutions, AspenTech also competes with Chemstations, Inc., Hyprotech, Ltd. (a subsidiary of AEA Technology plc), OSI Software, Inc., The Foxboro Company and Wonderware Corporation (both of which are subsidiaries of Siebe plc), the Simcon division of ABB Asea Brown Boveri (Holding) Ltd., and several smaller competitors, such as Pavilion Technologies, Inc. With the acquisition of Chesapeake, AspenTech now competes with established commercial vendors of supply chain management software, including i2 Technologies, Inc. and Manugistics Group, Inc.

A number of vendors of ERP software products, such as Baan Company N.V., J.D. Edwards Inc., Oracle Corporation, PeopleSoft, Inc. and SAP A.G., have announced their intentions to enter or expand their presence in the market for supply chain management solutions. AspenTech also expects to encounter increasing competition from DCS vendors, such as Honeywell Inc., as they expand their software and service offerings to include additional aspects of process manufacturing.

In recent years, there has been consolidation in the markets in which AspenTech competes that has expanded the breadth of product and service offerings by certain of AspenTech's competitors, such as the acquisitions by Siebe plc of Simulation Sciences, Inc. and Wonderware Corporation. As a result of this consolidation and the expansion of DCS and ERP vendors into additional markets, AspenTech from time to time may compete with divisions of companies with which it collaborates on other occasions, such as Honeywell Inc. and Siebe plc. There can be no assurance that AspenTech's efforts to compete and cooperate simultaneously with these or other companies will be successful. The further consolidation of existing competitors or the emergence of new competitors could have a material adverse effect on AspenTech's business, operating results and financial condition.

AspenTech's continued success depends on its ability to compete effectively with its commercial competitors and to persuade prospective customers to use AspenTech'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 can be no assurance that AspenTech will be able to maintain its competitive position.

INTELLECTUAL PROPERTY

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, the 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.

The laws of certain countries in which the Company's products are licensed 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. In fiscal 1996, fiscal 1997 and the nine months ended March 31, 1998, the Company derived approximately 42.0%, 50.0% and 45.3% of its total revenues, respectively, 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 Company's business, operating results and financial condition. 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 "--Risk Factors -- Dependence on Proprietary Technology."

EMPLOYEES

As of March 31, 1998, AspenTech had a total of 1,480 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 principal founder of the Company and its Chairman and Chief Executive Officer, its other executive officers, and certain engineering, technical, managerial and marketing personnel. The Company believes that its future success will also depend on its continuing ability to attract, motivate and retain additional highly skilled engineering, technical, managerial and marketing personnel. Competition for such personnel is intense, and there can be no assurance that AspenTech will be successful in attracting, assimilating and retaining the personnel it requires to continue to grow and operate profitably.

PROPERTIES

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

LEGAL PROCEEDINGS

AspenTech is not a party to any material litigation.

RISK FACTORS

In addition to the other information in this Form 8-K, the following risk factors should be considered in evaluating the Company and its business.

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS AND CASH FLOW

The Company's operating results and cash flow 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 introductions of new solutions and enhancements by the Company and its competitors, and fluctuating economic conditions. Because license fees for the Company's software products are substantial and the implementation of the Company's solutions often requires the services of the Company's engineers over an extended period of time, the sales process for the Company's solutions is lengthy and can exceed one year. Accordingly, software revenue is difficult to predict, and the delay of any order could cause the Company's quarterly revenues to fall substantially below expectations. Moreover, to the extent that the Company succeeds in shifting customer purchases away from individual software solutions and toward integrated suites of its software and service solutions, the likelihood of delays in ordering may increase and the effect of any delay may become more pronounced.

The Company ships software products within a short period after receipt of an order and usually does not have a material backlog of unfilled orders of software products. Consequently, revenues from software licenses in any quarter are substantially dependent on orders booked and shipped in that quarter. Historically, a majority of each quarter's revenues from software licenses has been derived from license agreements that have been consummated in the final weeks of the quarter. Therefore, even a short delay in the consummation of an agreement may cause revenues to fall below expectations for that quarter. Since the Company's expense levels are based in part on anticipated 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 disproportionately adverse effect on net income. The Company expects that these factors will continue to affect its operating results for the foreseeable future.

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 total 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. Although the Company has generated a profit for the first quarter of each of fiscal 1997 and fiscal 1998, the Company expects that it will continue to experience declines in total revenues and net income in the first fiscal quarter as compared to the immediately preceding fiscal quarter. Because of the foregoing factors, the Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as indications of future performance. Due to all of the foregoing factors, it is possible that in some future quarter the Company's operating results will be below the expectations of public market analysts and investors. In such event, the price the Common Stock would likely be materially adversely affected. See "--Management's Discussion and Analysis of Supplemental Consolidated Financial Condition and Results of Operations--Quarterly Results."

The Company derives a substantial portion of its total revenues from service engagements and a majority of these engagements have been undertaken on a fixed-price basis. The Company bears the risk of cost overruns and inflation in connection with fixed-price engagements, and as a result, any of these engagements may be unprofitable. See "--Management's Discussion and Analysis of

Supplemental Consolidated Financial Condition and Results of Operations" and "--Business--Software and Service Solutions--Consulting Services."

LIMITED SUPPLY OF QUALIFIED PROJECT ENGINEERS

The Company derives a substantial portion of its total revenues from services, particularly projects involving advanced process control and optimization and similar projects. These projects can be extremely complex and in general only highly qualified, highly educated project engineers have the necessary training and skills to complete these projects successfully. In order to continue to staff its current and future projects, the Company will need to attract, motivate and retain a significant number of highly qualified, highly educated chemical and other project engineers. The Company primarily hires as project engineers individuals who have obtained a doctoral or master's degree in chemical engineering or a related discipline or who have significant relevant industry experience. As a result, the pool of potential qualified employees is relatively small, and the Company faces significant competition for these employees, from not only the Company's direct competitors but also the Company's clients, academic institutions and other enterprises. Many of these competing employers are able to offer potential employees significantly greater compensation and benefits or more attractive lifestyle choices, career paths or geographic locations than the Company. The failure to recruit and retain a significant number of qualified project engineers could have a material adverse effect on the Company's business, operating results and financial condition. Moreover, increasing competition for these engineers may also result in significant increases in the Company's labor costs, which could have a material adverse effect on the Company's business, operating results and financial condition. See "--Business--Software and Service Solutions--Consulting Services" and "--Employees."

INTEGRATION OF CHESAPEAKE AND OTHER RECENTLY ACQUIRED COMPANIES

Through its acquisitions of Chesapeake and several smaller companies in 1998, the Company has expanded its product and service offerings, has entered new markets and has increased its scope of operations and the number of its employees. The successful and timely integration of Chesapeake and these other companies into the Company's operations is critical to the Company's future financial performance. This integration will require that the Company, among other things, integrate the companies' software products and technologies, retain key employees, assimilate diverse corporate cultures, integrate management information systems, consolidate the acquired operations and manage geographically dispersed operations, each of which could pose significant challenges. To succeed in the market for supply chain management solutions, the Company must also invest additional resources, primarily in the areas of sales and marketing, to extend name recognition and increase market share. The diversion of the attention of management created by the integration process, any disruptions or other difficulties encountered in the integration process, and unforseen liabilities or unanticipated problems with the acquired businesses could have a material adverse effect on the business, operating results and financial condition of the Company. The difficulty of combining these companies may be increased by the need to integrate personnel, and changes effected in the combination may cause key employees to leave. There can be no assurance that these acquisitions will provide the benefits expected by the Company or that the Company will be able to integrate and develop the operations of Chesapeake and these other companies successfully. Any failure to do so could have a material adverse effect on the Company's business, operating results and financial condition.

COMPETITION

The Company faces three primary sources of competition: commercial vendors of software products for one or more elements in the design, operation and management of manufacturing processes; vendors of hardware that offer software solutions in order to add value to their proprietary DCS; and large companies in the process industries that have developed their own proprietary software solutions. Because of the breadth of its software and service offerings, the Company faces competition from different vendors depending on the solution in question. The Company competes with respect to the largest number of its solutions with Simulation Sciences, Inc., a subsidiary of Siebe plc. With respect to particular software solutions, the Company also competes with Chemstations, Inc., Hyprotech, Ltd. (a subsidiary of AEA Technology plc), The Foxboro Company and Wonderware Corporation (both of which are subsidiaries of Siebe plc), OSI Software, Inc., the Simcon division of ABB Asea Brown Boveri (Holding) Ltd., and several smaller competitors, such as Pavilion Technologies, Inc. With the acquisition of Chesapeake, the Company now competes with established commercial vendors of supply chain management software, including i2 Technologies, Inc. and Manugistics Group, Inc. A number of vendors of ERP software products, such as Baan Company N.V., J.D. Edwards Inc., Oracle Corporation, PeopleSoft, Inc., and SAP A.G., have announced their intentions to enter or expand their existing presence in the market for supply chain management solutions. The Company also expects to encounter increasing competition from DCS solution vendors, such as Honeywell Inc., as they expand their software and service offerings to include additional aspects of process manufacturing. Moreover, in recent years, there has been consolidation in the markets in which the Company competes that has expanded the breadth of product and service offerings by certain of the Company's competitors, such as the acquisitions by Siebe plc of Simulation Sciences, Inc. and Wonderware Corporation. As a result of this consolidation and the expansion of DCS and ERP vendors into additional markets, the Company from time to time may compete with divisions of companies with which it collaborates on other occasions, such as Honeywell Inc. and Siebe plc. There can be no assurance that the Company's efforts to compete and cooperate simultaneously with these or other companies will be successful. The further consolidation of existing competitors or the emergence of new competitors could have a material adverse effect on the Company's business, operating results and financial condition. Certain competitors also supply related hardware products to existing and potential customers of the Company and may have established relationships that afford those 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 can be no assurance that the Company will be able to maintain its competitive position. See "--Business--Competition."

RISKS ASSOCIATED WITH FUTURE ACQUISITIONS

An element of the Company's business strategy is to continue to pursue strategic acquisitions that will provide it with complementary products, services and technologies and with additional engineering personnel. The identification and pursuit of these acquisition opportunities and the integration of acquired personnel, products, technologies and businesses require 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. In light of the consolidation trend in the Company's industry, the Company expects to face competition for acquisition opportunities, which may substantially increase the cost of any acquisition consummated by the Company. There can also be no assurance that any future acquisition will not have a material adverse effect upon the Company's operating results as a result of non-recurring charges associated with the acquisition or as a result of integration problems in the fiscal quarters following consummation of the acquisition. Acquisitions may also expose the Company to additional risks, including diversion of management's attention, failure to retain key acquired personnel, assumption of legal or other liabilities and contingencies, and amortization of goodwill and other acquired intangible assets, some or all of which could have a material adverse effect on the Company's business, operating results and financial condition. Moreover, customer dissatisfaction with, or problems caused by, the performance of any acquired technologies could have a material adverse impact on the reputation of the Company as a whole. In addition, there can be no assurance that acquired businesses will achieve anticipated revenues and earnings. The Company may use Common Stock or Preferred Stock or may incur 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. See "--Business--Strategy--Pursue Strategic Acquisitions."

CONCENTRATION OF REVENUES IN THE CHEMICALS, PETROCHEMICALS AND PETROLEUM INDUSTRIES

The Company derives a substantial majority of its total revenues from companies in the chemicals, petrochemicals and petroleum industries. Accordingly, the Company's future success depends upon the continued demand for process manufacturing optimization software and services by companies in these industries. The chemicals, petrochemicals and petroleum industries are highly cyclical. The Company believes that worldwide economic downturns and pricing pressures experienced by chemical, petrochemical and petroleum companies in connection with cost-containment measures and environmental regulatory pressures have in the past led to worldwide delays and reductions in certain capital and operating expenditures by many of these companies. There can be no assurance that these industry patterns, as well as general domestic and foreign economic conditions and other factors affecting spending by companies in these industries, will not have a material adverse effect on the Company's business, operating results and financial condition. See "--Management's Discussion and Analysis of Supplemental Consolidated Financial Condition and Results of Operations--Results of Operations" and "--Business--Customers."

PRODUCT DEVELOPMENT AND TECHNOLOGICAL CHANGE

The market for software and services for process manufacturing optimization is characterized by rapidly changing technology and continuing improvements in computer hardware, operating systems, programming tools, programming languages and database technology. The Company's future success will depend on its ability to enhance its current software products and services, integrate its current and future software offerings, modify its products to operate on additional or new operating platforms or systems, and develop in a timely and cost-effective manner new software and services that meet changing market conditions, including evolving customer needs, new competitive software and service offerings, emerging industry standards and changing technology. The Company has announced its intention to further integrate its software products with each other and to integrate those products with ERP, DCS and other business software solutions. The Company believes additional development will be necessary before its products are fully integrated with each other and with these other solutions, particularly with respect to ERP solutions. In the past, the Company has experienced delays in the development and enhancement of new and existing products, particularly the Windows version of Aspen Plus, and has on occasion postponed scheduled delivery dates for certain of its products. There can be no assurance that the Company will be able to meet customers' expectations with respect to product development, enhancement and integration or that the Company's software and services will otherwise address adequately the needs of customers. Like many other software products, the Company's software has on occasion contained undetected errors or "bugs." Because new releases of the Company's software products are initially installed only by a selected group 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 "--Business--Technology and Product Development."

DEPENDENCE ON KEY PERSONNEL

The Company's future success depends to a significant extent on Lawrence B. Evans, the principal founder of the Company and its Chairman and Chief Executive Officer, its other executive officers, and certain engineering, 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-person life insurance on any of its executive officers or other key employees. In addition to the need to recruit qualified project engineers, the Company believes that its future success will also 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, motivating and retaining the personnel it requires to continue to grow and operate profitably. See "--Business--Employees."

PRODUCT LIABILITY

The sale and implementation of certain of the Company's software products and services, particularly in the areas of advanced process control and optimization, may entail the risk of product liability claims. The Company's software products and services are used in the design, operation and management of manufacturing processes at large facilities, and any failure of 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 in the Company's agreements may not be effective as a result of federal, state or local laws or ordinances or unfavorable judicial decisions. A substantial product liability claim against the Company could have a material adverse effect upon the Company's business, operating results and financial condition.

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, the 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 has 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.

The laws of certain countries in which the Company's products are licensed 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. In fiscal 1996, fiscal 1997 and the nine months ended

March 31, 1998, the Company derived approximately 42.0%, 50.0% and 45.3% of its total revenues, respectively, 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 Company's business, operating results and financial condition. 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, if at all. See "--Business--Intellectual Property."

MANAGEMENT OF GROWTH

The Company has experienced substantial growth in recent years 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. This growth has resulted in increased responsibilities for the Company's management. To manage its growth effectively, the Company must continue to expand its management team, attract, motivate and retain employees, including qualified project engineers, and implement and improve its operating and financial systems. There can be no assurance that the Company's current management systems will be adequate or that the Company will be able to manage the Company's recent or future growth successfully. Any failure to do so could have a material adverse effect on the Company's business, operating results and financial condition. See "--Management's Discussion and Analysis of Supplemental Consolidated Financial Condition and Results of Operations--Results of Operations."

INTERNATIONAL OPERATIONS

In fiscal 1996, fiscal 1997 and the nine months ended March 31, 1998, the Company derived approximately 42.0%, 50.0% and 45.3% of its total revenues, respectively, 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 for the foreseeable future. The Company's operations outside the United States are subject to additional 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. In addition, the Company currently is unable to determine the effect, if any, that recent economic downturns in Asia, particularly Japan, or the adoption and use of the euro, the single European currency to be introduced in January 1999, will have on the Company's business. 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 operating results 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, operating results and financial condition. See "--Management's Discussion and Analysis of Supplemental Consolidated Financial Condition and Results of Operations."

DEPENDENCE UPON INCREASED MARKET PENETRATION

Increased use in the process industries of software and services for process manufacturing optimization 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 increase market penetration. These factors include product performance, accuracy of results, reliability, breadth and integration of product offerings, scope of applications, and ease of implementation and use. 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 "--Business--The AspenTech Advantage" and "--Strategy."

YEAR 2000 COMPLIANCE

Many currently installed computer systems and software applications are designed to accept only two digit entries in the date code field used to identify years. These date code fields will need to be modified to recognize twenty-first century years. As a result, computer systems and software applications used by many companies may need to be upgraded to comply with "year 2000" requirements. Significant uncertainty exists in the software industry concerning the potential effects of failure to comply with such requirements. The Company has developed a testing and compliance program to ascertain whether and to what extent the Company may need to update its software products to become year 2000 compliant. The Company does not intend to test or modify all prior versions of its software products, current products used on year 2000 non-compliant systems, custom applications developed by or for customers, or certain current software products that the Company plans to replace with either new software products or year 2000 compliant releases by the end of 1999. Certain of the Company's software products are currently year 2000 compliant; however, the Company has not completed testing on many of the other software products that it intends to test. There can be no assurance that the Company will complete in a timely manner the testing of such software products or the development of any updates necessary to render such software products year 2000 compliant. Although the Company has obtained representations as to year 2000 compliance from the sellers of certain of its recently acquired technologies, there can be no assurance that the Company will not encounter year 2000 problems arising from these technologies or any other technologies that the Company may acquire in the future. Moreover, the ability of the Company's software products to comply with year 2000 requirements depends in part upon the availability of year 2000 compliant versions of operating systems and software applications used by or with the Company's products. Any delay in developing or offering, or the failure to develop or offer year 2000 compliant products or any necessary updates to existing products, could result in delays in the purchasing of the Company's products and services or in reduced demand for those products and services, and could also result in errors that materially impair the utility of one or more of the Company's products, any of which could have a material adverse effect on the Company's business, operating results and financial condition. Although the Company does not expect the costs associated with its year 2000 compliance program to be material, there can be no assurance that unidentified year 2000 problems will not cause the Company to incur material expenses in responding to such problems or otherwise have a material adverse effect on the Company's business, operating results and financial condition. Moreover, customer purchasing patterns may be affected by year 2000 issues as customers delay purchases in anticipation of the future release of year 2000 compliant products or releases, and as customers expend significant resources to upgrade their current software systems and applications for year 2000 compliance. These expenditures may result in reduced funds available to purchase software products such as those offered by the Company. See "--Management's Discussion and Analysis of Supplemental Consolidated Financial Condition and Results of Operations -- Liquidity and Capital Resources."

NEW ACCOUNTING STANDARD

In October 1997, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position No. 97-2 ("SOP 97-2"), "Software Revenue Recognition," which the Company adopted for software license agreements entered into with customers on or after January 1, 1998. This statement provides accounting standards for software revenue recognition. The Company believes that its revenue recognition policies comply with SOP 97-2; however, unanticipated changes or new interpretations by the AICPA of SOP 97-2 could require changes in the Company's revenue recognition practices, which could have a material adverse effect on the Company's operating results and financial condition.

POTENTIAL VOLATILITY OF PRICE OF COMMON STOCK

The equity markets have 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 the financial performance of the Company, 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 Common Stock.

EFFECT OF CERTAIN CHARTER AND BY-LAW PROVISIONS AND ANTI-TAKEOVER PROVISIONS; POSSIBLE ISSUANCES OF PREFERRED STOCK; STOCKHOLDER RIGHTS PLAN

The Company's Certificate of Incorporation, its By-Laws and certain Delaware laws contain provisions that may discourage acquisition bids for the Company and that may deprive stockholders of certain opportunities to 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 adopted a stockholder rights plan, which may deter or delay attempts to acquire the Company or accumulate shares of Common Stock. Except for the stockholder rights plan, the Company has no present plans to designate or issue any shares of Preferred Stock.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Aspen Technology, Inc.:

We have audited the accompanying consolidated balance sheets of Aspen Technology, Inc. (a Delaware 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.

/s/ Arthur Andersen LLP

Boston, Massachusetts
May 29, 1998

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	JUNE 30, 1996	JUNE 30, 1997	MARCH 31, 1998 (UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 12,524	$ 16,091	$ 25,295
Short-term investments	38,559	15,843	6,609
Accounts receivable, net of reserves of $731 in 1996, $720 in 1997 and $1,229 in 1998	38,006	44,180	55,969
Unbilled services	7,634	12,444	18,282
Current portion of long-term installments receivable, net of unamortized discount of $930 in 1996, $815 in 1997 and $977 in 1998	12,068	19,063	21,447
Prepaid expenses and other current assets	3,318	7,403	8,951
Total current assets	112,109	115,024	136,553
Long-term installments receivable, net of unamortized discount of $5,027 in 1996, $7,386 in 1997 and $6,438 in 1998	17,708	30,963	29,698
Property and leasehold improvements, at cost:			
Building and improvements	3,741	3,922	5,835
Computer equipment	17,862	23,393	30,354
Purchased software	2,974	9,852	14,901
Furniture and fixtures	3,489	7,553	8,892
Leasehold improvements	698	2,618	4,505
	28,764	47,338	64,487
Less -- accumulated depreciation and amortization	11,949	19,904	28,635
	16,815	27,434	35,852
Computer software development costs, net of accumulated amortization of $3,908 in 1996, $5,051 in 1997 and $5,832 in 1998	1,817	3,058	5,272
Land	925	925	925
Intangible assets, net of accumulated amortization of $819 in 1996, $3,347 in 1997 and $5,352 in 1998	9,129	12,768	13,574
Other assets	1,664	2,092	2,516
	$160,167	$192,264	$224,390

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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	JUNE 30, 1996	JUNE 30, 1997	MARCH 31, 1998 (UNAUDITED)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term obligations	$ 425	$ 288	$ 1,581
Accounts payable	6,037	6,712	5,491
Accrued expenses	16,012	16,572	20,787
Unearned revenue	8,967	4,294	4,822
Deferred revenue	8,953	14,372	19,110
Deferred income taxes	2,798	1,775	5,486
Total current liabilities	43,192	44,013	57,277
Long-term obligations, less current portion	706	462	3,315
Deferred revenue, less current portion	8,279	9,441	10,068
Other liabilities	1,757	942	741
Deferred income taxes	6,398	5,965	9,888
Commitments and contingencies (Notes 10, 11 and 12)			
Stockholders' equity:			
Common stock, $.10 par value -- Authorized -- 40,000,000 shares Issued -- 19,382,360 shares, 20,359,892 shares and 21,442,680 shares in 1996, 1997 and 1998, respectively	1,938	2,036	2,144
Additional paid-in capital	109,857	127,578	137,321
Retained earnings (Accumulated deficit)	(11,094)	2,588	4,232
Cumulative translation adjustment	(362)	(255)	(100)
Treasury stock, at cost -- 230,396 shares, 230,330 shares and 230,330 shares of common stock in 1996, 1997 and 1998, respectively	(502)	(502)	(502)
Unrealized gain (loss) on investments	(2)	(4)	6
Total stockholders' equity	99,835	131,441	143,101
	$160,167	$192,264	$224,390

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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Revenues:					
Software licenses	$45,649	$ 65,644	$ 97,240	$ 66,715	$ 90,125
Service and other	11,849	37,965	83,059	60,330	74,356
	57,498	103,609	180,299	127,045	164,481
Expenses:					
Cost of software licenses	2,799	3,476	4,538	3,267	4,149
Cost of service and other	7,458	22,949	48,702	35,577	43,093
Selling and marketing	23,233	34,691	53,517	38,446	50,548
Research and development	11,375	20,208	31,153	21,966	29,211
General and administrative	5,132	9,565	15,933	12,022	13,630
Charge for in-process research and development	--	24,421	8,664	8,664	8,472
Costs related to acquisition	950	--	--	--	984
	50,947	115,310	162,507	119,942	150,087
Income (loss) from operations	6,551	(11,701)	17,792	7,103	14,394
Foreign currency exchange gain (loss)	34	(223)	(236)	(110)	(365)
Income on equity in joint ventures	22	10	26	--	45
Interest income	3,095	3,666	5,323	3,824	4,105
Interest expense on subordinated notes payable to a related party	(369)	(377)	--	--	--
Other interest expense	(192)	(946)	(151)	(117)	(147)
Income (loss) before provision for income taxes	9,141	(9,571)	22,754	10,700	18,032
Provision for income taxes	3,725	5,614	9,599	5,624	9,535
Net income (loss)	$ 5,416	$(15,185)	$ 13,155	$ 5,076	$ 8,497
Net income (loss) per share:					
Diluted	$ 0.35	$ (0.96)	$ 0.63	$ 0.24	$ 0.39
Basic	$ 0.39	$ (0.96)	$ 0.67	$ 0.26	$ 0.41
Weighted average shares outstanding:					
Diluted	15,562	15,857	20,967	20,938	21,960
Basic	13,770	15,857	19,628	19,532	20,629

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	ADDITIONAL PAID-IN CAPITAL
Balance, June 30, 1994	356,986	$ 177	7,009,330	$ 701	$ 17,578
Issuance of common stock in a public offering, net of issuance costs of $1,223	--	--	3,100,000	310	17,539
Issuance of common stock under employee stock purchase plans	--	--	72,064	7	238
Exercise of stock options and warrants	--	--	688,462	69	1,113
Liquidation of fractional shares	--	--	--	--	--
Conversion of preferred stock to common stock	(356,986)	(177)	4,709,580	471	(294)
Purchase of treasury stock	--	--	--	--	--
Repayment of receivable	--	--	--	--	--
Translation adjustment	--	--	--	--	--
Unrealized market gain on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	486
Dividend distributions to stockholders relating to acquired Subchapter S corporation, net	--	--	--	--	--
Net income	--	--	--	--	--
Balance, June 30, 1995	--	--	15,579,436	1,558	36,660
Issuance of common stock in a public offering, net of issuance costs of $4,239	--	--	2,907,820	291	68,166
Issuance of common stock in a private placement	--	--	66,770	6	1,058
Issuance of common stock under employee stock purchase plans	--	--	50,220	5	469
Exercise of stock options and warrants	--	--	778,114	78	1,397
Translation adjustment	--	--	--	--	--
Realized gain on investments	--	--	--	--	--
Unrealized market loss on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	2,107
Net loss	--	--	--	--	--
Balance, June 30, 1996	--	--	19,382,360	1,938	109,857
Issuance of common stock in a pooling	--	--	104,162	10	165
Issuance of common stock in the purchase of businesses	--	--	155,740	16	5,892
Issuance of common stock under employee stock purchase plans	--	--	210,085	21	3,549
Exercise of stock options and warrants	--	--	507,545	51	4,152
Translation adjustment	--	--	--	--	--
Issuance of treasury stock to charity	--	--	--	--	--
Unrealized market loss on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	3,963
Net income	--	--	--	--	--
Balance, June 30, 1997	--	--	20,359,892	2,036	127,578
Issuance of common stock in poolings	--	--	626,443	63	2,046
Issuance of common stock under employee stock purchase plans	--	--	115,617	11	3,867
Exercise of stock options and warrants	--	--	340,728	34	3,830
Translation adjustment	--	--	--	--	--
Unrealized market gain on investments	--	--	--	--	--
Net income	--	--	--	--	--
Balance, March 31, 1998 (Unaudited)	--	$ --	21,442,680	$2,144	$137,321

	RETAINED EARNINGS (ACCUMULATED DEFICIT)	CUMULATIVE TRANSLATION ADJUSTMENT	RECEIVABLE FROM STOCKHOLDER FOR STOCK ISSUED	TREASURY STOCK	
				NUMBER OF SHARES	AMOUNTS
Balance, June 30, 1994	$ (398)	$(390)	$(15)	229,188	$(497)
Issuance of common stock in a public offering, net of issuance costs of $1,223	--	--	--	--	--
Issuance of common stock under employee stock purchase plans	--	--	--	--	--
Exercise of stock options and warrants	--	--	--	--	--
Liquidation of fractional shares	--	--	--	64	--
Conversion of preferred stock to common stock	--	--	--	--	--
Purchase of treasury stock	--	--	--	1,144	(5)
Repayment of receivable	--	--	15	--	--
Translation adjustment	--	90	--	--	--

Unrealized market gain on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	--
Dividend distributions to stockholders relating to acquired Subchapter S corporation, net	(927)	--	--	--	--
Net income	5,416	--	--	--	--
Balance, June 30, 1995	4,091	(300)	--	230,396	(502)
Issuance of common stock in a public offering, net of issuance costs of $4,239	--	--	--	--	--
Issuance of common stock in a private placement	--	--	--	--	--
Issuance of common stock under employee stock purchase plans	--	--	--	--	--
Exercise of stock options and warrants	--	--	--	--	--
Translation adjustment	--	(62)	--	--	--
Realized gain on investments	--	--	--	--	--
Unrealized market loss on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	--
Net loss	(15,185)	--	--	--	--
Balance, June 30, 1996	(11,094)	(362)	--	230,396	(502)
Issuance of common stock in a pooling	527	--	--	--	--
Issuance of common stock in the purchase of businesses	--	--	--	--	--
Issuance of common stock under employee stock purchase plans	--	--	--	--	--
Exercise of stock options and warrants	--	--	--	--	--
Translation adjustment	--	107	--	--	--
Issuance of treasury stock to charity	--	--	--	(66)	--
Unrealized market loss on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	--
Net income	13,155	--	--	--	--
Balance, June 30, 1997	2,588	(255)	--	230,330	(502)
Issuance of common stock in poolings	(6,853)	--	--	--	--
Issuance of common stock under employee stock purchase plans	--	--	--	--	--
Exercise of stock options and warrants	--	--	--	--	--
Translation adjustment	--	155	--	--	--
Unrealized market gain on investments	--	--	--	--	--
Net income	8,497	--	--	--	--
Balance, March 31, 1998 (Unaudited)	$ 4,232	$(100)	$ --	230,330	$(502)

	UNREALIZED GAIN (LOSS) ON INVESTMENTS	TOTAL STOCKHOLDERS' EQUITY
Balance, June 30, 1994	$ --	$ 17,156
Issuance of common stock in a public offering, 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	--	--
Conversion of preferred stock to common stock	--	--
Purchase of treasury stock	--	(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	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	(2)	99,835
Issuance of common stock in a 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	--	--
Unrealized market loss on investments	(2)	(2)
Tax benefit related to stock options	--	3,963
Net income	--	13,155

	-----	--------
Balance, June 30, 1997	(4)	131,441
Issuance of common stock in poolings	--	(4,744)
Issuance of common stock under employee stock purchase plans	--	3,878
Exercise of stock options and warrants	--	3,864
Translation adjustment	--	155
Unrealized market gain on investments	10	10
Net income	--	8,497
	-----	--------
Balance, March 31, 1998 (Unaudited)	$ 6	$143,101
	=====	========

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,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Cash flows from operating activities:					
Net income (loss)	$ 5,416	$(15,185)	$ 13,155	$ 5,076	$ 8,497
Adjustments to reconcile net income (loss) to net cash provided by operating activities --					
Depreciation and amortization	2,748	5,641	11,301	7,945	9,534
Charge for in-process research and development	--	24,421	8,664	8,664	8,472
Deferred income taxes	2,573	(295)	(1,646)	2,982	6,834
Changes in assets and liabilities --					
Accounts receivable	(3,061)	(12,415)	(9,501)	(8,142)	(15,519)
Prepaid expenses and other current assets	(780)	1,053	(4,042)	(2,157)	(693)
Long-term installments receivable	(8,503)	1,790	(20,251)	(8,325)	(609)
Accounts payable and accrued expenses	2,446	7,000	3,750	(883)	(1,368)
Unearned revenue	66	2,823	(7,835)	(6,780)	527
Deferred revenue	2,716	3,560	7,229	4,145	4,392
Net cash provided by operating activities	3,621	18,393	824	2,525	20,067
Cash flows from investing activities:					
Purchase of property and leasehold improvements	(2,565)	(7,017)	(18,093)	(13,907)	(12,845)
Increase in computer software development costs	(1,026)	(908)	(2,384)	(1,482)	(2,923)
(Increase) decrease in other assets	(154)	117	(549)	(323)	(445)
(Increase) decrease in short-term investments	(18,364)	(20,197)	22,715	16,690	9,244
Increase (decrease) in other liabilities	401	955	(815)	(2,281)	(201)
Net cash acquired in immaterial poolings	--	--	792	--	(778)
Cash used in the purchase of business, net of cash acquired	--	(44,723)	(6,232)	(5,307)	(9,911)
Net cash used in investing activities	(21,708)	(71,773)	(4,566)	(6,610)	(17,859)
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	381	3,878
Exercise of stock options and warrants	1,182	925	4,203	2,299	3,864
Purchase of treasury stock	(5)	--	--	--	--
Repayment of 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)	(472)	(907)
Dividend distributions to stockholders relating to acquired Subchapter S corporation, net	(927)	--	--	--	--
Net cash provided by financing activities	19,698	61,777	7,202	2,208	6,835

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

	YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Effect of exchange rate changes on cash and cash equivalents	90	(62)	107	59	161
Increase (decrease) in cash and cash equivalents	1,701	8,335	3,567	(1,818)	9,204
Cash and cash equivalents, beginning of period	2,488	4,189	12,524	12,524	16,091
Cash and cash equivalents, end of period	$ 4,189	$ 12,524	$ 16,091	$ 10,706	$ 25,295
Supplemental disclosure of cash flow information:					
Cash paid for income taxes	$ 600	$ 1,861	$ 2,334	$ 527	$ 400
Cash paid for interest	$ 524	$ 1,363	$ 199	$ 92	$ 109
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, 1997 and the nine months ended March 31, 1998, 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	$ 15,982	$ 11,316
Issuance of common stock related to acquisitions	--	--	(5,908)	(6,496)	--
Payments in connection with the acquisitions, net of cash acquired	--	(44,723)	(6,232)	(5,307)	(9,911)
Liabilities assumed	$ --	$ 3,196	$ 3,329	$ 4,179	$ 1,405

During the fiscal year 1995, the Company acquired Industrial Systems, Inc., which was accounted for as a pooling of interests. During the fiscal year 1997, the Company acquired B-JAC International, Inc., which was accounted for as a pooling of interests. During the fiscal year 1998, the Company acquired NeuralWare, Inc., The SAST Corporation Limited, Cimtech S.A./N.V., Contas Process Control S.r.L. and Zyqad Limited, which were accounted for as poolings 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
(INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

(1) OPERATIONS

Aspen Technology, Inc. and subsidiaries (the Company) is a supplier of software and service solutions that companies in the process industries use to design, operate and manage their manufacturing processes. The process industries include manufacturers of chemicals, petrochemicals, petroleum products, pharmaceuticals, pulp and paper, electric power, food and beverages, consumer products, and metals and minerals. The Company offers a comprehensive, integrated suite of process manufacturing optimization solutions that help process manufacturers enhance profitability by improving efficiency, productivity, capacity utilization, safety and environmental compliance throughout the entire manufacturing life-cycle, from research and development to engineering, planning and scheduling, procurement, production and distribution. In addition to its broad range of software solutions, the Company offers system implementation, advanced process control, real-time optimization and other consulting services through its staff of project engineers. The Company has operations and customers worldwide.

On May 27, 1998, the Company acquired Chesapeake Decision Sciences, Inc. and subsidiaries (CDI), a provider of software and services for the supply chain management market. The Company exchanged 2,961,959 shares of common stock for all the outstanding shares of CDI. The Company placed 296,196 of these shares into escrow as security for indemnification obligations of CDI relating to representation, warranties and tax matters. This merger will be accounted for as a pooling of interests. As a result, the Company's historical financial statements will be restated to reflect the combination (see Note 18). The Company has incurred approximately $4.0 million of merger-related costs, which will be included in the 1998 consolidated statement of operations during the period in which the merger is completed.

(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) INTERIM FINANCIAL STATEMENTS

The accompanying consolidated financial statements as of March 31, 1998 and for the nine months ended March 31, 1997 and 1998 are unaudited, but in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted, although the Company believes that the disclosures included are adequate to make the information presented not misleading. Results for the nine months ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ending June 30, 1998.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(c) 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.

(d) SHORT-TERM INVESTMENTS

The Company accounts for its 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 accompanying consolidated financial statements. Unrealized gains and losses have been accounted for as a separate component of stockholders' equity. Available-for-sale investments as of June 30, 1996 and 1997 and March 31, 1998 are as follows (in thousands):

		MARKET VALUE AT		
DESCRIPTION	CONTRACTED MATURITY	JUNE 30, 1996	JUNE 30, 1997	MARCH 31, 1998
Commercial paper	1-11 months	$38,559	$ 2,150	$ --
Money market funds	N/A	--	--	1,202
Corporate and foreign bonds	1-12 months	--	3,030	--
Corporate and foreign bonds	1-5 years	--	10,663	5,407
		$38,559	$15,843	$6,609

The Company had no realized gains or losses for the years ended June 30, 1995 and 1997 and had realized gains (losses) of $282,000 and $(3,000) for the year ended June 30, 1996 and the nine months ended March 31, 1998, respectively. The amortized cost of these investments does not differ significantly from their stated market value for all periods presented.

(e) 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

(f) LAND

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

(g) 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 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 required as part of a software 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 for the years ended June 30, 1995, 1996 and 1997 and the nine months ended March 31, 1998 were 11% to 12%, 11% to 12%, 8.5% to 11% and 8.5%, respectively.

(h) 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 is 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, $1,143,000, $738,000 and $709,000 in fiscal 1995, 1996 and 1997 and for the nine months ended March 31, 1997 and 1998, respectively.

(i) 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.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

At June 30, 1996 and 1997 and March 31, 1998, the Company had long-term installments receivable of approximately $7,301,000, $8,987,000 and $5,810,000 denominated in foreign currencies. The March 1998 installments receivable mature through October 2002 and have been hedged with specific foreign currency contracts. There have been no material gains or losses recorded relating to hedge contracts for the periods presented.

(j) NET INCOME (LOSS) PER SHARE

In March 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, Earnings per Share. This statement established 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 periods ending after December 15, 1997. The prior years' earnings per share have been retroactively restated to reflect the adoption of SFAS No. 128.

Basic earnings per share was determined by dividing net income by the weighted average common shares outstanding during the period. Diluted earnings per share was determined by dividing net income by diluted weighted average shares outstanding. Diluted weighted average shares reflects the dilutive effect, if any, of common equivalent shares. Common equivalent shares include common stock options to the extent their effect is dilutive, based on the treasury stock method.

The calculations of basic and diluted weighted average shares outstanding are as follows (in thousands):

	YEAR ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
Basic weighted average common shares outstanding	13,770	15,857	19,628	19,532	20,629
Weighted average common equivalent shares	1,792	--	1,339	1,406	1,331
Diluted weighted average shares outstanding	15,562	15,857	20,967	20,938	21,960

(k) 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.

(l) 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 offbalance-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.

(m) 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.

(n) 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 March 31, 1998. Goodwill (net of accumulated amortization) was approximately $4,497,000 at March 31, 1998. Amortization of goodwill was approximately $40,000, $279,000 and $337,000 for the years ended June 30, 1996 and 1997 and the nine months ended March 31, 1998, respectively.

(o) NEW ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, Reporting Comprehensive Income. SFAS No. 130 requires disclosure of all components of comprehensive income on an annual and interim basis. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. SFAS No. 130 is effective for fiscal years beginning after December 15, 1997.

In July 1997, the FASB issued SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 requires certain financial and supplementary information to be disclosed on an annual and interim basis for each reportable segment of an enterprise. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. Unless impracticable, companies would be required to disclose similar prior period information upon adoption.

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use (SOP 98-1). SOP 98-1 requires computer software costs associated with internal use software to be charged to operations as incurred until certain capitalization criteria are met. SOP 98-1 is effective beginning January 1, 1999. The Company does not expect adoption of this statement to have a material impact on its consolidated financial position or results of operations.

(3) ACQUISITIONS

(a) DYNAMIC MATRIX CONTROL CORPORATION (DMCC) AND SETPOINT, INC. (SETPOINT)

During the quarter ended March 31, 1996, the Company acquired 100% of the outstanding shares of common stock of DMCC and Setpoint for purchase prices of $20,139,000 and

$27,780,000, respectively, in cash and the assumption of certain expenses related to the acquisitions. DMCC and Setpoint were suppliers of on-line automation and information management software and services to companies in process manufacturing industries.

These acquisitions were accounted for as purchase transactions, and accordingly, their results of operations from the date of acquisitions 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. The purchase price was allocated to the fair value of assets acquired and liabilities assumed as follows (in thousands):

DESCRIPTION	DMCC	SETPOINT	LIFE
Purchased in-process research and development	$ 9,521	$14,900	--
Existing technology	1,740	3,308	5 years
Other intangibles	1,066	1,709	5-10 years
Building	627	--	30 years
Goodwill	--	1,418	10 years
Uncompleted contracts	596	504	Life of contracts
	13,550	21,839	
Net book value of tangible assets acquired, less liabilities assumed	8,080	7,984	
	21,630	29,823	
Less -- Deferred taxes	1,491	2,043	
	$20,139	$27,780	

For tax purposes, these acquisitions were accounted for as purchases 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 price allocation in accordance with SFAS No. 109.

(b) ACQUISITIONS DURING FISCAL YEAR 1997

During fiscal year 1997, the Company acquired B-JAC International, Inc. (B-JAC), the Process Control Division of Cambridge Control Limited (the Cambridge Control Division), the PIMS Division of Bechtel Corporation and Basil Joffe Associates, Inc.

The Company exchanged 104,162 shares of its common stock valued at approximately $3,400,000 for all outstanding shares of B-JAC, a major supplier of detailed heat exchanger modeling software. The acquisition has been accounted for as a pooling of interests and as a result of its immateriality as compared to the Company's financial position and results of operations, the historical financial statements were not restated.

The Company's acquisitions of the Cambridge Control Division, the PIMS Division and Basil Joffe Associates, Inc. were all accounted for as purchase transactions. Total purchase price for these acquisitions was approximately $12,217,000 plus approximately $3,011,000 in assumed liabilities and acquisition related costs. The Cambridge Control Division specialized in advanced process control solutions, specifically aimed toward process manufacturing controls applications for the refining, petrochemical and pulp and paper industries. The PIMS Division and a related software development organization, Basil Joffe Associates, Inc., developed and sold proprietary PIMS

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

software used by companies in process industries for economic planning and scheduling based on linear programming models.

The results of operations of these companies from the dates of acquisition 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. 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	$ 8,664	--
Existing technology	600	5 years
Goodwill	2,744	10 years
Intangible assets	2,786	5-12 years
	14,794	
Net book value of tangible assets acquired, less liabilities assumed	(2,429)	
	12,365	
Less -- Deferred taxes	148	
	$12,217	

(c) ACQUISITIONS DURING THE FIRST THREE QUARTERS OF FISCAL YEAR 1998

During the first three quarters of fiscal year 1998, the Company acquired 100% of the outstanding shares of NeuralWare, Inc., The SAST Corporation Limited, Cimtech S.A./N.V., Contas Process Control S.r.L. and Zyqad Limited. The Company exchanged 626,443 shares of its common stock and paid approximately $841,000 in cash for all outstanding shares of the acquired companies. These acquisitions were accounted for as poolings of interests, and none of them were material to the Company's financial position or results of operations. Accordingly, the historical financial statements of the Company have not been restated.

Additionally, the Company acquired 100% of the outstanding shares of IISYS, Inc. for an aggregate purchase price of approximately $8,400,000 in cash and the assumption of approximately $1,600,000 in debt. For financial statement purposes, this acquisition was accounted for as a purchase, and accordingly, the results of operations from the date of acquisition 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 allocated to in-process research and development represents projects that had not yet reached technological feasibility and had no alternative future use. The purchase price was allocated to the fair market value of assets acquired and liabilities as follows (in thousands):

DESCRIPTION	AMOUNT	LIFE
Purchased in-process research and development	$ 8,472	--
Existing technology	2,178	5 years
Intangible assets	392	5 years
	11,042	
Net book value of tangible assets acquired, less liabilities assumed	(321)	
	10,721	
Less -- Deferred taxes	800	
	$ 9,921	

(d) SUBSEQUENT ACQUISITION

On May 29, 1998, the Company acquired 100% of the outstanding shares of Treiber Controls Inc. (Treiber). The Company exchanged 140,000 shares of its common stock for all outstanding shares of Treiber. Treiber specializes in advanced process control and optimization solutions, specifically in petroleum refining, petrochemical and chemical industries. The Company intends to account for this acquisition as a pooling of interests. The Company expects this transaction will be immaterial to the Company's financial position and results of operations and accordingly the historical financial statements will not be restated.

(e) 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 1995 (in thousands, except per share data):

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

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

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. The pro forma effect of the acquisitions during fiscal year 1997 and 1998, except for CDI (see Note 18), has not been presented, as they are immaterial.

(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 March 31, 1998), or at the bank's prime rate (8.5% as of March 31, 1998). The line is subject to certain covenants, including profitability and operating ratios, as defined. As of March 31, 1998, no amounts were outstanding under this line and approximately $29,359,000 was available for future borrowings, as approximately $641,000 was reserved for certain performance bonds relating to service contracts. The line of credit expires on December 31, 1998.

(5) LONG-TERM OBLIGATIONS

Long-term obligations consist of the following at June 30, 1996 and 1997 and March 31, 1998 (in thousands):

	JUNE 30, 1996	JUNE 30, 1997	MARCH 31, 1998
Credit arrangement of subsidiary with a bank	$ --	$ --	1,540
Mortgage payable due in annual installments of approximately $101,000	--	--	1,279
Non-interest bearing note payable due in annual installments of approximately $67,000	--	--	1,000
Convertible Debenture due in 2000, interest is payable at an annual rate of 6%. This note is convertible into approximately 7,500 shares of the Company's common stock at the option of the holder	--	--	393
Note payable due in annual installments of $125,000 plus interest at 9.5% per year	671	547	454
Other obligations	460	203	230
	1,131	750	4,896
Less -- Current maturities	425	288	1,581
	$ 706	$ 462	$3,315

Maturities of these long-term obligations are as follows (in thousands):

	AMOUNT
Years Ending June 30,	
1998	$1,618
1999	618
2000	409
2001	474
2002	379
Thereafter	1,519
	5,017
Less -- Amount representing interest	121
-- Current maturities	1,581
	$3,315

(6) SUBORDINATED NOTES PAYABLE TO A RELATED PARTY

At June 30, 1995, the Company had $4,000,000 of outstanding 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 warrants to purchase 77,500 and 60,000 shares of common stock, 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.

(7) 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.

(8) 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 6). 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 6). 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. In the nine month period ended March 31, 1998, warrants to purchase 3,513 shares were exercised and warrants to purchase 283 shares were terminated. The remaining warrants to purchase 21,580 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. In the nine month period ended March 31, 1998, warrants to purchase 750 shares were exercised. The remaining warrants to purchase 9,000 shares of common stock are currently exercisable and expire June 10, 1998.

In connection with the August 1997 acquisition of NeuralWare, Inc., the Company converted warrants and options to purchase NeuralWare common stock into warrants and options to purchase 10,980 and 6,618 shares of the Company's common stock, respectively, of which 13,290 shares are currently exercisable and the remainder vest over three years. The warrants have exercise prices that range between $61.73 and $135.80 per share.

(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 1997, the shareholders approved an amendment to the 1995 Plan. The amendment provides for three annual increases to the number of shares for which options may be granted, beginning July 1, 1999, by an amount equal to 5% of the outstanding shares on the preceding June 30. 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.

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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
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
Options granted	2,014,637	30.02
Options exercised	(329,679)	12.55
Options terminated	(71,714)	16.10
Outstanding, March 31, 1998	4,592,181	$22.66

As of March 31, 1998, there were 166,144 and 78,500 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 the ISI Plan, the Board of Directors of ISI was 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	--	$ --

No future grants are available under the ISI Plan.

The following tables summarize information about stock options outstanding and exercisable at March 31, 1998:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING AT MARCH 31, 1998	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
$ 1.05	158,898	2.2	$ 1.05
1.83-2.66	197,588	3.8	2.64
3.33-4.00	246,764	6.1	3.42
8.06-10.25	80,700	7.0	9.97
13.12-19.12	1,202,163	7.7	16.43
25.00-32.50	2,387,568	8.9	29.33
38.00-40.18	318,500	9.3	37.48
	4,592,181		$22.66

RANGE OF EXERCISE PRICES	OPTIONS EXERCISABLE AT MARCH 31, 1998	WEIGHTED AVERAGE EXERCISE PRICE
$ 1.05	158,898	$ 1.05
1.83-2.66	197,588	2.64
3.33-4.00	240,764	3.40
8.50-10.25	38,700	9.84
13.62-19.12	505,142	16.29
25.00-32.50	556,915	29.65
38.00	43,256	38.00
Exercisable, March 31, 1998	1,741,263	$16.24
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.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 (loss) (in thousands) and net income (loss) 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 --		
Diluted --		
As reported	$ (0.96)	$ 0.63
Pro forma	(1.04)	0.42
Basic --		
As reported	$ (0.96)	$ 0.67
Pro forma	(1.04)	0.43

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. In October 1997, the Company's Board of Directors approved the 1998 Employee Stock Purchase Plan, under which the Board of Directors may grant stock purchase rights for a maximum of 1,000,000 shares through September 30, 2007.

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 72,064 shares, 50,220 shares, 81,586 shares and 127,547 shares during fiscal 1995, 1996 and 1997 and the nine months ended March 31, 1998, respectively. As of March 31, 1998, there were 1,000,000 shares available for future issuance under the 1998 Employee Stock Purchase Plan. No shares of common stock were available for future issuance under the 1986 Employee Stock Purchase Plan or the 1995 Employees' Stock Purchase Plan.

(f) STOCKHOLDER RIGHTS PLAN

During fiscal 1998, the Board of Directors of the Company adopted a Stockholder Rights Agreement (the "Rights Plan") and distributed one Right for each outstanding share of Common Stock. The Rights were issued to holders of record of Common Stock outstanding on March 12, 1998. Each share of Common Stock issued after March 12, 1998 will also include one Right, subject to certain limitations. Each Right when it becomes exercisable will initially entitle the registered holder to purchase from the Company one one-hundredth (1/100th) of a share of Series A Preferred Stock at a price of $175.00 (the "Purchase Price").

The Rights will become exercisable and separately transferable when the Company learns that any person or group has acquired beneficial ownership of 15% or more of the outstanding Common Stock or on such other date as may be designated by the Board of Directors following the commencement of, or first public disclosure of an intent to commence, a tender or exchange offer for outstanding Common Stock that could result in the offeror becoming the beneficial owner of 15% or more of the outstanding Common Stock. In such circumstances, holders of the Rights will be entitled to purchase, for the Purchase Price, a number of hundredths of a share of Series A Preferred Stock equivalent to the number of shares of Common Stock (or, in certain circumstances, other equity securities) having a market value of twice the Purchase Price. Beneficial holders of 15% or more of the outstanding Common Stock, however, would not be entitled to exercise their Rights in such circumstances. As a result, their voting and equity interests in the Company would be substantially diluted if the Rights were to be exercised.

The Rights expire in March 2008, but may be redeemed earlier by the Company at a price of $.01 per Right, in accordance with the provisions of the Rights Plan.

(9) 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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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	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 is as follows (in thousands):

	JUNE 30,	
	1996	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 utilization of previously reserved tax assets. The foreign operating loss carryforwards expire at various dates through 2011.

(10) 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, $5,015,000, $3,761,000 and $4,668,000 for the years ended June 30, 1995, 1996 and 1997 and the nine months ended March 31, 1997 and 1998, 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

(11) SALE OF INSTALLMENTS RECEIVABLE

The Company sold, with limited recourse, certain of its installment contracts to two financial institutions for $28,895,000, $30,210,000 and $44,063,000 during fiscal 1996 and 1997 and the nine months ended March 31, 1998, 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. The Company records these transactions as sales of financial assets in accordance with SFAS No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, as it surrenders control to these receivables upon transfer.

At March 31, 1998, the balance of the uncollected principal portion of the contracts sold with partial recourse was approximately $87,659,000. The Company's potential recourse obligations related to these contracts is approximately $5,000,000. In addition, the Company is obligated to pay additional costs to the financial institutions in the event of default by the customer.

(12) 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.

(13) 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 or 1996. 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 the fiscal year ended June 30, 1997 and the nine months ended March 31, 1997 and 1998, the Company made matching contributions of approximately $385,000, $175,000 and $598,000, respectively.

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

(14) 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 and the nine months ended March 31, 1997 and 1998, the Company has recognized approximately $22,000, $10,000, $26,000, $0 and $45,000, respectively, as its portion of the income from these joint ventures.

(15) ACCRUED EXPENSES

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

	JUNE 30,		MARCH 31,
	1996	1997	1998
Income taxes	$ 2,728	$ 6,711	$ 9,172
Payroll and payroll-related	4,743	3,302	4,930
Royalties and outside commissions	4,149	2,051	2,291
Other	4,392	4,508	4,394
	$16,012	$16,572	$20,787

(16) RELATED PARTY TRANSACTION

Smart Finance & Co., 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 and the nine months ended March 31, 1998, payments of approximately $72,000, $222,000 and $43,000, respectively, were made by the Company to Smart Finance & Co. as compensation for services rendered.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(17) FINANCIAL INFORMATION BY GEOGRAPHIC AREA

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

	YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
United States	48.1%	54.6%	47.7%	49.3%	52.3%
Europe	30.6	26.7	32.4	25.1	29.1
Japan	12.3	9.6	9.2	16.3	11.4
Other	9.0	9.1	10.7	9.3	7.2
	100.0%	100.0%	100.0%	100.0%	100.0%

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 from operations	$ 14,620	$ 2,578	$ 594	$ --	$ 17,792
Identifiable assets	$221,544	$ 7,094	$1,191	$(53,391)	$176,438

(18) SUBSEQUENT EVENT

On May 27, 1998, the Company acquired CDI, a provider of software and services for the supply chain management market. The Company exchanged 2,961,959 shares of its common stock for all the outstanding shares of CDI common stock. The acquisition will be accounted for as a pooling of interests. Accordingly, the consolidated financial statements of the Company will be restated to give retroactive effect to the combination with CDI. The Company expects to incur approximately $4.0 million of expenses related to this acquisition, which will be charged to operations in the quarter ending June 30, 1998.

The following information details the results of operations of the Company and CDI for the periods before the pooling of interests combination was consummated:

	YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31, (UNAUDITED)	
	1995	1996	1997	1997	1998
Revenue --					
The Company	$57,498	$103,609	$180,299	$127,045	$164,481
CDI	8,521	11,209	13,771	10,554	13,563
Combined	$66,019	$114,818	$194,070	$137,599	$178,044
Net income (loss) --					
The Company	$ 5,416	$(15,185)	$ 13,155	$ 5,076	$ 8,497
CDI	1,693	798	1,046	1,180	1,447
Combined	$ 7,109	$(14,387)	$ 14,201	$ 6,256	$ 9,944
Net income (loss) per share -- Diluted --					
The Company	$ 0.35	$ (0.96)	$ 0.63	$ 0.24	$ 0.39
CDI	$ 1.09	$ 0.51	$ 0.60	$ 0.71	$ 0.59
Combined	$ 0.42	$ (0.83)	$ 0.63	$ 0.28	$ 0.41
Net income (loss) per share -- Basic --					
The Company	$ 0.39	$ (0.96)	$ 0.67	$ 0.26	$ 0.41
CDI	$ 1.09	$ 0.51	$ 0.60	$ 0.71	$ 0.59
Combined	$ 0.46	$ (0.83)	$ 0.66	$ 0.30	$ 0.43

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS

To Aspen Technology, Inc.:

We have audited the accompanying supplemental consolidated balance sheets of Aspen Technology, Inc. (a Delaware corporation) and subsidiaries as of June 30, 1996 and 1997, and the related supplemental consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 30, 1997. The supplemental consolidated statements give retroactive effect to the merger with Chesapeake Decision Sciences, Inc. and subsidiaries (CDI) on May 27, 1998, which has been accounted for as a pooling of interests as described in Note 1. These supplemental financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these supplemental 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 supplemental financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the supplemental 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, based upon our audit, the supplemental consolidated 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, after giving retroactive effect to the merger with CDI as described in Note 1, all in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Boston, Massachusetts
May 29, 1998

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	JUNE 30, 1996	JUNE 30, 1997	MARCH 31, 1998 (UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 14,773	$ 18,284	$ 25,546
Short-term investments	38,821	16,622	9,172
Accounts receivable, net of reserves of $731 in 1996, $840 in 1997 and $1,429 in 1998	41,217	46,997	59,751
Unbilled services	7,634	12,444	18,282
Current portion of long-term installments receivable, net of unamortized discount of $930 in 1996, $815 in 1997 and $977 in 1998	12,068	19,063	21,447
Prepaid expenses and other current assets	4,181	8,876	9,590
Total current assets	118,694	122,286	143,788
Long-term installments receivable, net of unamortized discount of $5,027 in 1996, $7,386 in 1997 and $6,438 in 1998	17,708	30,963	29,698
Property and leasehold improvements, at cost:			
Land	350	664	728
Building and improvements	5,000	6,499	8,749
Computer equipment	18,813	24,774	31,938
Purchased software	3,056	9,934	14,983
Furniture and fixtures	3,833	7,941	9,402
Leasehold improvements	698	2,618	4,505
	31,750	52,430	70,305
Less -- Accumulated depreciation and amortization	12,961	21,271	30,315
	18,789	31,159	39,990
Computer software development costs, net of accumulated amortization of $3,908 in 1996, $5,051 in 1997 and $5,832 in 1998	1,817	3,058	5,272
Land	925	925	925
Intangible assets, net of accumulated amortization of $819 in 1996, $3,347 in 1997 and $5,352 in 1998	9,129	12,768	13,574
Other assets	1,924	2,386	2,841
	$168,986	$203,545	$236,088

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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	JUNE 30, 1996	JUNE 30, 1997	MARCH 31, 1998 (UNAUDITED)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Current portion of long-term obligations	$ 425	$ 288	$ 1,581
Accounts payable	6,584	7,442	5,541
Accrued expenses	16,417	17,968	21,803
Unearned revenue	8,967	4,294	4,822
Deferred revenue	10,943	16,730	21,861
Deferred income taxes	2,798	1,775	5,486
Total current liabilities	46,134	48,497	61,094
Long-term obligations, less current portion	706	462	3,315
Deferred revenue, less current portion	8,279	9,441	10,068
Other liabilities	1,757	942	741
Deferred income taxes	7,633	6,789	9,893
Commitments and contingencies (Notes 10, 11 and 12)			
Stockholders' equity:			
Common stock, $.10 par value -- Authorized -- 40,000,000 shares Issued -- 20,758,343 shares, 22,342,399 shares and 24,404,639 shares in 1996, 1997 and 1998, respectively	2,076	2,235	2,440
Additional paid-in capital	110,388	128,344	138,466
Retained earnings (Accumulated deficit)	(7,121)	7,607	10,695
Cumulative translation adjustment	(362)	(261)	(100)
Treasury stock, at cost -- 230,396 shares, 230,330 shares and 230,330 shares of common stock in 1996, 1997 and 1998, respectively	(502)	(502)	(502)
Unrealized gain (loss) on investments	(2)	(9)	(22)
Total stockholders' equity	104,477	137,414	150,977
	$168,986	$203,545	$236,088

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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Revenues:					
Software licenses	$49,479	$ 70,199	$103,179	$ 71,741	$ 95,544
Service and other	16,540	44,619	90,891	65,858	82,500
	66,019	114,818	194,070	137,599	178,044
Expenses:					
Cost of software licenses	3,080	3,992	5,539	4,090	4,964
Cost of service and other	10,052	27,220	54,006	39,315	48,342
Selling and marketing	24,276	36,610	56,034	40,223	52,683
Research and development	12,652	22,310	33,580	23,686	31,519
General and administrative	5,679	10,715	17,072	12,854	14,650
Charge for in-process research and development	--	24,421	8,664	8,664	8,472
Costs related to acquisition	950	--	--	--	984
	56,689	125,268	174,895	128,832	161,614
Income (loss) from operations	9,330	(10,450)	19,175	8,767	16,430
Foreign currency exchange gain (loss)	34	(223)	(236)	(110)	(365)
Income on equity in joint ventures	22	10	26	--	45
Interest income	3,138	3,745	5,556	3,984	4,305
Interest expense on subordinated notes payable to a related party	(369)	(377)	--	--	--
Other interest expense	(192)	(946)	(151)	(117)	(147)
Income (loss) before provision for income taxes	11,963	(8,241)	24,370	12,524	20,268
Provision for income taxes	4,854	6,146	10,169	6,268	10,324
Net income (loss)	$ 7,109	$(14,387)	$ 14,201	$ 6,256	$ 9,944
Net income (loss) per share:					
Diluted	$ 0.42	$ (0.83)	$ 0.63	$ 0.28	$ 0.41
Basic	$ 0.46	$ (0.83)	$ 0.66	$ 0.30	$ 0.43
Weighted average shares outstanding:					
Diluted	17,113	17,432	22,707	22,596	24,432
Basic	15,321	17,432	21,368	21,190	23,101

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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL 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	ADDITIONAL PAID-IN CAPITAL
Balance, June 30, 1994	356,986	$ 177	8,339,148	$ 834	$ 18,092
Issuance of common stock in a public offering, net of issuance costs of $1,223	--	--	3,100,000	310	17,539
Issuance of common stock under employee stock purchase plans	--	--	72,064	7	238
Exercise of stock options and warrants	--	--	688,462	69	1,113
Liquidation of fractional shares	--	--	--	--	--
Conversion of preferred stock to common stock	(356,986)	(177)	4,709,580	471	(294)
Purchase of treasury stock	--	--	--	--	--
Repayment of receivable	--	--	--	--	--
ESOP contribution	--	--	443,209	45	171
Translation adjustment	--	--	--	--	--
Unrealized market gain on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	486
Dividend distributions to stockholders relating to acquired Subchapter S corporation, net	--	--	--	--	--
Net income	--	--	--	--	--
Balance, June 30, 1995	--	--	17,352,463	1,736	37,345
Issuance of common stock in a public offering, net of issuance costs of $4,239	--	--	2,907,820	291	68,166
Issuance of common stock in a private placement	--	--	66,770	6	1,058
Issuance of common stock under employee stock purchase plans	--	--	50,220	5	469
Exercise of stock options and warrants	--	--	778,114	78	1,397
ESOP contribution	--	--	514,807	51	199
Retired stock	--	--	(911,851)	(91)	(353)
Translation adjustment	--	--	--	--	--
Realized gain on investments	--	--	--	--	--
Unrealized market loss on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	2,107
Net loss	--	--	--	--	--
Balance, June 30, 1996	--	--	20,758,343	2,076	110,388
Issuance of common stock in a pooling	--	--	104,162	10	165
Issuance of common stock in the purchase of businesses	--	--	155,740	16	5,892
Issuance of common stock under employee stock purchase plans	--	--	210,085	21	3,549
Exercise of stock options and warrants	--	--	507,545	51	4,152
ESOP contribution	--	--	696,154	70	268
Retired stock	--	--	(89,630)	(9)	(33)
Translation adjustment	--	--	--	--	--
Issuance of treasury stock to charity	--	--	--	--	--
Unrealized market loss on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	3,963
Net income	--	--	--	--	--
Balance, June 30, 1997	--	--	22,342,399	2,235	128,344
Issuance of common stock in poolings	--	--	626,443	63	2,046
Issuance of common stock under employee stock purchase plans	--	--	115,617	11	3,867
Exercise of stock options and warrants	--	--	340,728	34	3,830
ESOP contribution	--	--	983,145	98	380
Retired stock	--	--	(3,693)	(1)	(1)
Translation adjustment	--	--	--	--	--
Unrealized market loss on investments	--	--	--	--	--
Net income	--	--	--	--	--
Balance, March 31, 1998 (Unaudited)	--	$ --	24,404,639	$2,440	$138,466

	RETAINED EARNINGS (ACCUMULATED DEFICIT)	CUMULATIVE TRANSLATION ADJUSTMENT	RECEIVABLE FROM STOCKHOLDER FOR STOCK ISSUED	TREASURY STOCK	
				NUMBER OF SHARES	AMOUNTS
Balance, June 30, 1994	$ 1,084	$(390)	$(15)	229,188	$(497)
Issuance of common stock in a public offering, net of issuance costs of $1,223	--	--	--	--	--
Issuance of common stock under employee stock purchase					

plans	--	--	--	--	--
Exercise of stock options and warrants	--	--	--	--	--
Liquidation of fractional shares	--	--	--	64	--
Conversion of preferred stock to common stock	--	--	--	--	--
Purchase of treasury stock	--	--	--	1,144	(5)
Repayment of receivable	--	--	15	--	--
ESOP contribution	--	--	--	--	--
Translation adjustment	--	87	--	--	--
Unrealized market gain on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	--
Dividend distributions to stockholders relating to acquired Subchapter S corporation, net	(927)	--	--	--	--
Net income	7,109	--	--	--	--
Balance, June 30, 1995	7,266	(303)	--	230,396	(502)
Issuance of common stock in a public offering, net of issuance costs of $4,239	--	--	--	--	--
Issuance of common stock in a private placement	--	--	--	--	--
Issuance of common stock under employee stock purchase plans	--	--	--	--	--
Exercise of stock options and warrants	--	--	--	--	--
ESOP contribution	--	--	--	--	--
Retired stock	--	--	--	--	--
Translation adjustment	--	(59)	--	--	--
Realized gain on investments	--	--	--	--	--
Unrealized market loss on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	--
Net loss	(14,387)	--	--	--	--
Balance, June 30, 1996	(7,121)	(362)	--	230,396	(502)
Issuance of common stock in a pooling	527	--	--	--	--
Issuance of common stock in the purchase of businesses	--	--	--	--	--
Issuance of common stock under employee stock purchase plans	--	--	--	--	--
Exercise of stock options and warrants	--	--	--	--	--
ESOP contribution	--	--	--	--	--
Retired stock	--	--	--	--	--
Translation adjustment	--	101	--	--	--
Issuance of treasury stock to charity	--	--	--	(66)	--
Unrealized market loss on investments	--	--	--	--	--
Tax benefit related to stock options	--	--	--	--	--
Net income	14,201	--	--	--	--
Balance, June 30, 1997	7,607	(261)	--	230,330	(502)
Issuance of common stock in poolings	(6,856)	--	--	--	--
Issuance of common stock under employee stock purchase plans	--	--	--	--	--
Exercise of stock options and warrants	--	--	--	--	--
ESOP contribution	--	--	--	--	--
Retired stock	--	--	--	--	--
Translation adjustment	--	161	--	--	--
Unrealized market loss on investments	--	--	--	--	--
Net income	9,944	--	--	--	--
Balance, March 31, 1998 (Unaudited)	$ 10,695	$(100)	$ --	230,330	$(502)

	UNREALIZED GAIN (LOSS) ON INVESTMENTS	TOTAL STOCKHOLDERS' EQUITY
Balance, June 30, 1994	$ --	$ 19,285
Issuance of common stock in a public offering, 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	--	--
Conversion of preferred stock to common stock	--	--
Purchase of treasury stock	--	(5)
Repayment of receivable	--	15
ESOP contribution	--	216
Translation adjustment	--	87
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	--	7,109
Balance, June 30, 1995	282	45,824
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
ESOP contribution	--	250
Retired stock	--	(444)

Translation adjustment	--	(59)
Realized gain on investments	(282)	(282)
Unrealized market loss on investments	(2)	(2)
Tax benefit related to stock options	--	2,107
Net loss	--	(14,387)
	-----	--------
Balance, June 30, 1996	(2)	104,477
Issuance of common stock in a 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
ESOP contribution	--	338
Retired stock	--	(42)
Translation adjustment	--	101
Issuance of treasury stock to charity	--	--
Unrealized market loss on investments	(7)	(7)
Tax benefit related to stock options	--	3,963
Net income	--	14,201
	-----	--------
Balance, June 30, 1997	(9)	137,414
Issuance of common stock in poolings	--	(4,747)
Issuance of common stock under employee stock purchase plans	--	3,878
Exercise of stock options and warrants	--	3,864
ESOP contribution	--	478
Retired stock	--	(2)
Translation adjustment	--	161
Unrealized market loss on investments	(13)	(13)
Net income	--	9,944
	-----	--------
Balance, March 31, 1998 (Unaudited)	$ (22)	$150,977
	=====	========

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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Cash flows from operating activities:					
Net income (loss)	$ 7,109	$(14,387)	$ 14,201	$ 6,256	$ 9,944
Adjustments to reconcile net income (loss) to net cash provided by operating activities --					
Depreciation and amortization	2,856	5,817	11,655	8,198	9,844
Charge for in-process research and development	--	24,421	8,664	8,664	8,472
Deferred income taxes	3,684	(295)	(1,646)	2,982	6,834
Changes in assets and liabilities --					
Accounts receivable	(6,210)	(11,930)	(9,107)	(8,622)	(16,484)
Prepaid expenses and other current assets	(734)	215	(4,686)	(2,040)	111
Long-term installments receivable	(8,503)	1,790	(20,251)	(8,325)	(609)
Accounts payable and accrued expenses	2,697	7,615	4,513	(655)	(3,249)
Unearned revenue	66	2,823	(7,835)	(6,780)	527
Deferred revenue	3,953	3,596	7,597	4,458	4,785
Net cash provided by operating activities	4,918	19,665	3,105	4,136	20,175
Cash flows from investing activities:					
Purchase of property and leasehold improvements	(2,701)	(7,926)	(20,199)	(15,973)	(13,570)
Increase in computer software development costs	(1,026)	(908)	(2,384)	(1,482)	(2,923)
(Increase) decrease in other assets	(154)	117	(549)	(323)	(445)
(Increase) decrease in short-term investments	(18,081)	(20,221)	22,194	16,548	7,437
Increase (decrease) in other liabilities	401	955	(815)	(2,281)	(201)
Cash acquired in immaterial poolings	--	--	792	--	(778)
Cash used in the purchase of business, net of cash acquired	--	(44,723)	(6,232)	(5,307)	(9,911)
Net cash used in investing activities	(21,561)	(72,706)	(7,193)	(8,818)	(20,391)
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	381	3,878
Issuance of common stock under employee stock ownership plan	216	250	338	339	478
Exercise of stock options and warrants	1,182	925	4,203	2,299	3,864
Purchase of treasury stock	(5)	--	--	--	--
Repurchase of common stock	--	(444)	(42)	(42)	(2)
Repayment of 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)	(472)	(907)
Dividend distributions to stockholders relating to acquired Subchapter S corporation, net	(927)	--	--	--	--
Net cash provided by financing activities	19,914	61,583	7,498	2,505	7,311
Effect of exchange rate changes on cash and cash equivalents	87	(59)	101	50	167
Increase (decrease) in cash and cash equivalents	3,358	8,483	3,511	(2,127)	7,262
Cash and cash equivalents, beginning of period	2,932	6,290	14,773	14,773	18,284
Cash and cash equivalents, end of period	$ 6,290	$ 14,773	$ 18,284	$ 12,646	$ 25,546

Supplemental disclosure of cash flow information:

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

	YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Cash paid for income taxes	$ 621	$ 3,080	$ 4,074	$ 1,526	$ 1,143
Cash paid for interest	$ 524	$ 1,363	$ 199	$ 92	$ 109
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, 1997 and the nine months ended March 31, 1998, 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	$ 15,982	$ 11,316
Issuance of common stock related to acquisitions	--	--	(5,908)	(6,496)	--
Payments in connection with the acquisitions, net of cash acquired	--	(44,723)	(6,232)	(5,307)	(9,911)
Liabilities assumed	$ --	$ 3,196	$ 3,329	$ 4,179	$ 1,405

During the fiscal year 1995, the Company acquired Industrial Systems, Inc., which was accounted for as a pooling of interests. During the fiscal year 1997, the Company acquired B-JAC International, Inc., which was accounted for as a pooling of interests. During the fiscal year 1998, the Company acquired NeuralWare, Inc., The SAST Corporation Limited, Cimtech S.A./N.V., Contas Process Control S.r.L. and Zyqad Limited, which were accounted for as poolings of interests.

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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997
(INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

(1) OPERATIONS

Aspen Technology, Inc. and subsidiaries (the Company) is a supplier of software and service solutions that companies in the process industries use to design, operate and manage their manufacturing processes. The process industries include manufacturers of chemicals, petrochemicals, petroleum products, pharmaceuticals, pulp and paper, electric power, food and beverages, consumer products, and metals and minerals. The Company offers a comprehensive, integrated suite of process manufacturing optimization solutions that help process manufacturers enhance profitability by improving efficiency, productivity, capacity utilization, safety and environmental compliance throughout the entire manufacturing life-cycle, from research and development to engineering, planning and scheduling, procurement, production and distribution. In addition to its broad range of software solutions, the Company offers system implementation, advanced process control, real-time optimization and other consulting services through its staff of project engineers. The Company has operations and customers worldwide.

On May 27, 1998, the Company acquired Chesapeake Decision Sciences, Inc. and subsidiaries (CDI), a provider of software and services for the supply chain management market. The Company exchanged 2,961,959 shares of common stock for all the outstanding shares of CDI. The Company placed 296,196 of these shares into escrow as security for indemnification obligations of CDI relating to representation, warranties and tax matters. This merger will be accounted for as a pooling of interests. Generally accepted accounting principles do not allow for restatement of historical financial statements for a pooling of interests transaction until results which include post-merger activity have been issued. These accompanying supplemental financial statements have been retroactively restated to reflect the transaction as if the Company and CDI had operated as one entity since inception.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following information details the results of operations of the Company and CDI for the periods before the pooling of interests combination was consummated:

	YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31, (UNAUDITED)	
	1995	1996	1997	1997	1998
Revenue --					
The Company	$57,498	$103,609	$180,299	$127,045	$164,481
CDI	8,521	11,209	13,771	10,554	13,563
Combined	$66,019	$114,818	$194,070	$137,599	$178,044
Net income (loss) --					
The Company	$ 5,416	$(15,185)	$ 13,155	$ 5,076	$ 8,497
CDI	1,693	798	1,046	1,180	1,447
Combined	$ 7,109	$(14,387)	$ 14,201	$ 6,256	$ 9,944
Net income (loss) per share -- Diluted --					
The Company	$ 0.35	$ (0.96)	$ 0.63	$ 0.24	$ 0.39
CDI	$ 1.09	$ 0.51	$ 0.60	$ 0.71	$ 0.59
Combined	$ 0.42	$ (0.83)	$ 0.63	$ 0.28	$ 0.41
Net income (loss) per share -- Basic --					
The Company	$ 0.39	$ (0.96)	$ 0.67	$ 0.26	$ 0.41
CDI	$ 1.09	$ 0.51	$ 0.60	$ 0.71	$ 0.59
Combined	$ 0.46	$ (0.83)	$ 0.66	$ 0.30	$ 0.43

The Company has incurred approximately $4.0 million of merger-related costs, which will be included in the 1998 consolidated statement of operations during the period in which the merger was completed.

(2) SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

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

(b) INTERIM FINANCIAL STATEMENTS

The accompanying supplemental consolidated financial statements as of March 31, 1998 and for the nine months ended March 31, 1997 and 1998 are unaudited, but in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted, although the Company believes that the disclosures included are adequate to make the information presented not misleading. Results for the nine months ended

March 31, 1998 are not necessarily indicative of the results that may be expected for the year ending June 30, 1998.

(c) 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.

(d) SHORT-TERM INVESTMENTS

The Company accounts for its 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 accompanying supplemental consolidated financial statements. Unrealized gains and losses have been accounted for as a separate component of stockholders' equity.

Available-for-sale investments as of June 30, 1996 and 1997 and March 31, 1998 are as follows (in thousands):

		MARKET VALUE AT		
DESCRIPTION	CONTRACTED MATURITY	JUNE 30, 1996	JUNE 30, 1997	MARCH 31, 1998
Commercial paper	1-11 months	$38,559	$ 2,150	$ --
Money market funds	N/A	34	189	2,886
Stocks and mutual funds	N/A	120	--	757
Certificate of deposit	1-11 months	--	475	--
Corporate and foreign bonds	1-12 months	108	3,145	122
Corporate and foreign bonds	1-5 years	--	10,663	5,407
		$38,821	$16,622	$9,172

The Company had no realized gains or losses for the years ended June 30, 1995 and 1997 and had realized gains (losses) of $282,000 and $(3,000) for the year ended June 30, 1996 and the nine months ended March 31, 1998, respectively. The amortized cost of these investments does not differ significantly from their stated market value for all periods presented.

(e) 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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(f) LAND

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

(g) 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 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 required as part of a software 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 supplemental 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 supplemental consolidated statements of operations. The interest rates in effect for the years ended June 30, 1995, 1996 and 1997 and the nine months ended March 31, 1998 were 11% to 12%, 11% to 12%, 8.5% to 11% and 8.5%, respectively.

(h) 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 supplemental consolidated balance sheets. Capitalization of computer software development costs begins upon the establishment of technological feasibility. Amortization of capitalized computer software development costs is 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, $1,143,000, $738,000 and $709,000 in fiscal 1995, 1996 and 1997 and for the nine months ended March 31, 1997 and 1998, respectively.

(i) 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 supplemental 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 supplemental consolidated balance sheets.

At June 30, 1996 and 1997 and March 31, 1998, the Company had long-term installments receivable of approximately $7,301,000, $8,987,000 and $5,810,000 denominated in foreign currencies. The March 1998 installments receivable mature through October 2002 and have been hedged with specific foreign currency contracts. There have been no material gains or losses recorded relating to hedge contracts for the periods presented.

(j) NET INCOME (LOSS) PER SHARE

In March 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, Earnings per Share. This statement established 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 periods ending after December 15, 1997. The prior years' earnings per share have been retroactively restated to reflect the adoption of SFAS No. 128.

Basic earnings per share was determined by dividing net income by the weighted average common shares outstanding during the period. Diluted earnings per share was determined by dividing net income by diluted weighted average shares outstanding. Diluted weighted average shares reflects the dilutive effect, if any, of common equivalent shares. Common equivalent shares include common stock options to the extent their effect is dilutive, based on the treasury stock method.

The calculations of basic and diluted weighted average shares outstanding are as follows (in thousands):

	YEAR ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
Basic weighted average common shares outstanding	15,321	17,432	21,368	21,190	23,101
Weighted average common equivalent shares	1,792	--	1,339	1,406	1,331
Diluted weighted average shares outstanding	17,113	17,432	22,707	22,596	24,432

(k) 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.

(l) 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.

(m) 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.

(n) 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 March 31, 1998. Goodwill (net of accumulated amortization) was approximately $4,497,000 at March 31, 1998. Amortization of goodwill was approximately $40,000, $279,000 and $337,000 for the years ended June 30, 1996 and 1997 and the nine months ended March 31, 1998, respectively.

(o) NEW ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, Reporting Comprehensive Income. SFAS No. 130 requires disclosure of all components of comprehensive income on an annual and interim basis. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. SFAS No. 130 is effective for fiscal years beginning after December 15, 1997.

In July 1997, the FASB issued SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 requires certain financial and supplementary information to be disclosed on an annual and interim basis for each reportable segment of an enterprise. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. Unless impracticable, companies would be required to disclose similar prior period information upon adoption.

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use (SOP 98-1). SOP 98-1 requires computer software costs associated with internal use software to be charged to operations as incurred until certain capitalization criteria are met. SOP 98-1 is effective beginning January 1, 1999. The Company does not expect adoption of this statement to have a material impact on its supplemental consolidated financial position or results of operations.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(3) ACQUISITIONS

(a) DYNAMIC MATRIX CONTROL CORPORATION (DMCC) AND SETPOINT, INC. (SETPOINT)

During the quarter ended March 31, 1996, the Company acquired 100% of the outstanding shares of common stock of DMCC and Setpoint for purchase prices of $20,139,000 and $27,780,000, respectively, in cash and the assumption of certain expenses related to the acquisitions. DMCC and Setpoint were suppliers of on-line automation and information management software and services to companies in process manufacturing industries.

These acquisitions were accounted for as purchase transactions, and accordingly, their results of operations from the date of acquisitions forward are included in the Company's supplemental 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.

The purchase price was allocated to the fair value of assets acquired and liabilities assumed as follows (in thousands):

DESCRIPTION	DMCC	SETPOINT	LIFE
Purchased in-process research and development	$ 9,521	$14,900	--
Existing technology	1,740	3,308	5 years
Other intangibles	1,066	1,709	5-10 years
Building	627	--	30 years
Goodwill	--	1,418	10 years
Uncompleted contracts	596	504	Life of contracts
	13,550	21,839	
Net book value of tangible assets acquired, less liabilities assumed	8,080	7,984	
	21,630	29,823	
Less -- Deferred taxes	1,491	2,043	
	$20,139	$27,780	

For tax purposes, these acquisitions were accounted for as purchases 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 price allocation in accordance with SFAS No. 109.

(b) ACQUISITIONS DURING FISCAL YEAR 1997

During fiscal year 1997, the Company acquired B-JAC International, Inc. (B-JAC), the Process Control Division of Cambridge Control Limited (the Cambridge Control Division), the PIMS Division of Bechtel Corporation and Basil Joffe Associates, Inc.

The Company exchanged 104,162 shares of its common stock valued at approximately $3,400,000 for all outstanding shares of B-JAC, a major supplier of detailed heat exchanger modeling software. The acquisition has been accounted for as a pooling of interests and as a result of its immateriality as compared to the Company's financial position and results of operations, the historical financial statements were not restated.

The Company's acquisitions of the Cambridge Control Division, the PIMS Division and Basil Joffe Associates, Inc. were all accounted for as purchase transactions. Total purchase price for these acquisitions was approximately $12,217,000 plus approximately $3,011,000 in assumed liabilities and acquisition related costs. The Cambridge Control Division specialized in advanced process control solutions, specifically aimed toward process manufacturing controls applications for the refining, petrochemical and pulp and paper industries. The PIMS Division and a related software development organization, Basil Joffe Associates, Inc., developed and sold proprietary PIMS software used by companies in process industries for economic planning and scheduling based on linear programming models.

The results of operations of these companies from the dates of acquisition forward are included in the Company's supplemental 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. 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	$ 8,664	--
Existing technology	600	5 years
Intangible assets	5,530	5-12 years
	14,794	
Net book value of tangible assets acquired, less liabilities assumed	(2,429)	
	12,365	
Less -- Deferred taxes	148	
	$12,217	

(c) ACQUISITIONS DURING THE FIRST THREE QUARTERS OF FISCAL YEAR 1998

During the first three quarters of fiscal year 1998, the Company acquired 100% of the outstanding shares of NeuralWare, Inc., The SAST Corporation, Limited, Cimtech S.A./N.V., Contas Process Control S.r.L. and Zyqad Limited. The Company exchanged 626,443 shares of its common stock and paid approximately $841,000 in cash for all outstanding shares of the acquired companies. These acquisitions were accounted for as poolings of interests, and none of them were material to the Company's financial position or results of operations. Accordingly, the historical financial statements of the Company have not been restated.

Additionally, the Company acquired 100% of the outstanding shares of IISYS, Inc. for an aggregate purchase price of approximately $8,400,000 in cash and the assumption of approximately $1,600,000 in debt. For financial statement purposes, this acquisition was accounted for as a purchase, and accordingly, the results of operations from the date of acquisition are included in the Company's supplemental 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. The purchase price was allocated to the fair market value of assets acquired and liabilities as follows (in thousands):

DESCRIPTION	AMOUNT	LIFE
Purchased in process research and development	$ 8,472	--
Existing technology	2,178	5 years
Intangible assets	392	5 years
	11,042	
Net book value of tangible assets acquired, less liabilities assumed	(321)	
	10,721	
Less -- Deferred taxes	800	
	$ 9,921	

(d) SUBSEQUENT ACQUISITION

On May 29, 1998, the Company acquired 100% of the outstanding shares of Treiber Controls Inc. (Treiber). The Company exchanged 140,000 shares of its common stock for all outstanding shares of Treiber. Treiber specializes in advanced process control and optimization solutions, specifically in petroleum refining, petrochemical and chemical industries. The Company intends to account for this acquisition as a pooling of interests. The Company expects this transaction will be immaterial to the Company's financial position and results of operations and accordingly the historical financial statements will not be restated.

(e) 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 1995 (in thousands, except per share data):

	YEAR ENDED	
	JUNE 30, 1995	JUNE 30, 1996(1)
Pro forma revenue	$123,251	$153,877
Pro forma net income	$ 5,936	$ 9,397
Pro forma net income per share -- diluted	$ 0.35	$ 0.50
Pro forma weighted average shares outstanding -- diluted	17,113	18,873

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

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. The pro forma effect of the acquisitions during fiscal year 1997 and 1998, except for CDI (see Note 1), has not been presented, as they are immaterial.

(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 March 31, 1998), or at the bank's prime rate (8.5% as of March 31, 1998). The line is subject to certain covenants, including profitability and operating ratios, as defined. As of March 31, 1998 no amounts were outstanding under this line and approximately $29,359,000 was available for future borrowings as approximately $641,000 was reserved for certain performance bonds relating to service contracts. The line of credit expires on December 31, 1998.

(5) LONG-TERM OBLIGATIONS

Long-term obligations consist of the following at June 30, 1996 and 1997 and March 31, 1998 (in thousands):

	JUNE 30, 1996	JUNE 30, 1997	MARCH 31, 1998
Credit arrangement of subsidiary with a bank	$ --	$ --	$1,540
Mortgage payable due in annual installments of approximately $101,000	--	--	1,279
Non-interest bearing note payable due in annual installments of approximately $67,000	--	--	1,000
Convertible Debenture due in 2000, interest is payable at an annual rate of 6%. This note is convertible into approximately 7,500 shares of the Company's common stock at the option of the holder	--	--	393
Note payable due in annual installments of $125,000 plus interest at 9.5% per year	671	547	454
Other obligations	460	203	230
	1,131	750	4,896
Less -- Current maturities	425	288	1,581
	$ 706	$462	$3,315

Maturities of these long term obligations are as follows (in thousands):

	AMOUNT
Years Ending June 30,	
1998	$1,618
1999	618
2000	409
2001	474
2002	379
Thereafter	1,519
	5,017
Less -- Amount representing interest	121
-- Current maturities	1,581
	$3,315

(6) SUBORDINATED NOTES PAYABLE TO A RELATED PARTY

At June 30, 1995, the Company had $4,000,000 of outstanding 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 warrants to purchase 77,500 and 60,000 shares of common stock, 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.

(7) 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.

(8) 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 6). 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 6). 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. In the nine month period ended March 31, 1998, warrants to purchase 3,513 shares were exercised and warrants to purchase 283 shares were terminated. The remaining warrants to purchase 21,580 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. In the nine month period ended March 31, 1998, warrants to purchase

750 shares were exercised. The remaining warrants to purchase 9,000 shares of common stock are currently exercisable and expire June 10, 1998.

In connection with the August 1997 acquisition of NeuralWare, Inc. the Company converted warrants and options to purchase NeuralWare common stock into warrants and options to purchase 10,980 and 6,618 shares of the Company's common stock, respectively, of which 13,290 shares are currently exercisable and the remainder vest over three years. The warrants have exercise prices that range between $61.73 and $135.80 per share.

(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 1997 the shareholders approved an amendment to the 1995 Plan. The amendment provides for three annual increases to the number of shares for which options may be granted, beginning July 1, 1999 by an amount equal to 5% of the outstanding shares on the preceding June 30. 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.

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
Options granted	2,014,637	30.02
Options exercised	(329,679)	12.55
Options terminated	(71,714)	16.10
Outstanding, March 31, 1998	4,592,181	$22.66

As of March 31, 1998, there were 166,144 and 78,500 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 the ISI Plan, the Board of Directors of ISI was 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	--	$ --

No future grants are available under the ISI Plan.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following tables summarize information about stock options outstanding and exercisable at March 31, 1998:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING AT MARCH 31, 1998	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
$ 1.05	158,898	2.2	$ 1.05
1.83-2.66	197,588	3.8	2.64
3.33-4.00	246,764	6.1	3.42
8.06-10.25	80,700	7.0	9.97
13.12-19.12	1,202,163	7.7	16.43
25.00-32.50	2,387,568	8.9	29.33
38.00-40.18	318,500	9.3	37.48
	4,592,181		$22.66

RANGE OF EXERCISE PRICES	OPTIONS EXERCISABLE AT MARCH 31, 1998	WEIGHTED AVERAGE EXERCISE PRICE
$ 1.05	158,898	$ 1.05
1.83-2.66	197,588	2.64
3.33-4.00	240,764	3.40
8.50-10.25	38,700	9.84
13.62-19.12	505,142	16.29
25.00-32.50	556,915	29.65
38.00	43,256	38.00
Exercisable, March 31, 1998	1,741,263	$16.24
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 (loss) (in thousands) and net income (loss) per share would have been as follows:

	1996	1997
Net (loss) income (in thousands) --		
As reported	$(14,387)	$14,201
Pro forma	(15,623)	9,520
Net (loss) income per share --		
Diluted --		
As reported	$ (0.83)	$ 0.63
Pro forma	(0.90)	0.42
Basic --		
As reported	$ (0.83)	$ 0.66
Pro forma	(0.90)	0.45

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. In October 1997, the Company's Board of Directors approved the 1998 Employee Stock Purchase Plan, under which the Board of Directors may grant stock purchase rights for a maximum of 1,000,000 shares through September 30, 2007.

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 72,064 shares, 50,220 shares, 81,586 shares and 127,547 shares during fiscal 1995, 1996 and 1997 and the nine months ended March 31, 1998, respectively. As of March 31, 1998, there were 1,000,000 shares available for future issuance under the 1998 Employee Stock Purchase Plan. No shares of common stock were available for future issuance under the 1986 Employee Stock Purchase Plan or the 1995 Employees' Stock Purchase Plan.

(f) STOCKHOLDER RIGHTS PLAN

During fiscal 1998, the Board of Directors of the Company adopted a Stockholder Rights Agreement (the "Rights Plan") and distributed one Right for each outstanding share of Common Stock. The Rights were issued to holders of record of Common Stock outstanding on March 12, 1998. Each share of Common Stock issued after March 12, 1998 will also include one Right, subject to certain limitations. Each Right when it becomes exercisable will initially entitle the registered holder to purchase from the Company one one-hundredth (1/100(th)) of a share of Series A Preferred Stock at a price of $175.00 (the "Purchase Price").

The Rights will become exercisable and separately transferable when the Company learns that any person or group has acquired beneficial ownership of 15% or more of the outstanding Common Stock or on such other date as may be designated by the Board of Directors following the commencement of, or first public disclosure of an intent to commence, a tender or exchange offer for outstanding Common Stock that could result in the offeror becoming the beneficial owner of 15% or more of the outstanding Common Stock. In such circumstances, holders of the Rights will be entitled to purchase, for the Purchase Price, a number of hundredths of a share of Series A Preferred Stock equivalent to the number of shares of Common Stock (or, in certain circumstances, other equity securities) having a market value of twice the Purchase Price. Beneficial holders of 15% or more of the outstanding Common Stock, however, would not be entitled to exercise their Rights in such circumstances. As a result, their voting and equity interests in the Company would be substantially diluted if the Rights were to be exercised.

The Rights expire in March 2008, but may be redeemed earlier by the Company at a price of $.01 per Right, in accordance with the provisions of the Rights Plan.

(g) EMPLOYEE STOCK OWNERSHIP PLAN

In January 1987, CDI established an Employee Stock Ownership Plan and Trust (the Plan) which covers substantially all employees who have attained the age of 21, completed 1,000 hours of service during the initial plan year in which they have their first hour of service and are not covered by any collective bargaining agreement. CDI makes discretionary contributions to the Plan on an annual basis based on 10% of all eligible employees' base salaries. The common stock shares are then allocated based on a formula determined by management. CDI's discretionary contributions for the years ended June 30, 1996 and 1997 and the nine months ended March 31, 1998 were approximately $250,000, $338,000 and $478,000, respectively. The Plan also provides for the repurchase of common stock upon the employee's termination of employment. In connection with the merger between the Company and CDI, contributions to this Plan ceased as of May 27, 1998.

(h) RESTRICTED STOCK

CDI has stockholders agreements with all existing stockholders that provide for the repurchase of common stock upon their termination of employment.

(9) 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.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

	YEARS ENDED JUNE 30,		
	1995	1996	1997
Federal --			
Current	$1,713	$4,933	$ 7,174
Deferred	2,327	(264)	1,092
State --			
Current	103	966	1,011
Deferred	552	6	198
Foreign --			
Current	159	505	692
	$4,854	$6,146	$10,169

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%	34.5%	34.5%
State income tax, net of federal tax benefit	5.7	5.5	5.6
Foreign tax	(2.1)	1.2	(0.9)
Tax credits generated	(1.1)	(5.0)	(4.1)
Permanent differences, net	2.8	2.2	1.3
Valuation allowance and other	1.3	(0.4)	(0.5)
Provision for income taxes	40.6%	38.0%	35.9%

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(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 supplemental consolidated balance sheets are as follows (in thousands):

	JUNE 30,	
	1996	1997
Deferred tax assets	$ 7,418	$ 6,344
Deferred tax liabilities	(16,424)	(14,908)
	(9,006)	(8,564)
Valuation allowance	(1,425)	--
	$(10,431)	$ (8,564)

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

	JUNE 30, 1996	JUNE 30, 1997
Revenue related	$(6,974)	$(8,430)
Foreign operating losses	1,425	1,063
Nondeductible reserves and accruals	1,523	1,118
Intangible assets	(3,819)	(2,241)
Accounting methods	(1,235)	(143)
Other temporary differences	74	69
	$(9,006)	$(8,564)

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

(10) 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, $3,418,000, $5,017,000, $3,762,000 and $4,692,000 for the years ended June 30, 1995, 1996 and 1997 and the nine months ended March 31, 1997 and 1998, respectively. Future minimum lease payments under these leases as of June 30, 1997 are as follows (in thousands):

	AMOUNT
Year Ending June 30,	
1998	$ 4,440
1999	4,027
2000	3,830
2001	3,498
2002	3,476
Thereafter	4,001
	$23,272

(11) SALE OF INSTALLMENTS RECEIVABLE

The Company sold, with limited recourse, certain of its installment contracts to two financial institutions for $28,895,000, $30,210,000 and $44,063,000 during fiscal 1996 and 1997 and the nine months ended March 31, 1998, 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. The Company records these transactions as sales of financial assets in accordance with SFAS No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, as it surrenders control to these receivables upon transfer.

At March 31, 1998, the balance of the uncollected principal portion of the contracts sold with partial recourse was approximately $87,659,000. The Company's potential recourse obligations related to these contracts is approximately $5,000,000. In addition, the Company is obligated to pay additional costs to the financial institutions in the event of default by the customer.

(12) 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.

(13) 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 or 1996. 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 the fiscal year ended June 30, 1997 and the nine months ended March 31, 1997 and 1998, the Company made matching contributions of approximately $385,000, $175,000 and $598,000, respectively.

CDI also maintains a deferred contribution (401k) profit sharing plan covering all full-time employees. 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 plan provides for CDI to make matching contributions equal to 50% of pretax employee contributions up to a maximum of 6% of an employee's salary. In addition, CDI may make discretionary contributions to the plan determined annually by management. During the fiscal year ended June 30, 1997 and the nine months ended March 31, 1998, CDI made matching contributions of approximately $183,000 and $314,000, respectively.

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

(14) 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.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company is accounting for these investments using the equity method. The net investments are included in other assets in the accompanying supplemental consolidated balance sheets. In the accompanying supplemental consolidated statements of operations for the years ended June 30, 1995, 1996 and 1997 and the nine months ended March 31, 1997 and 1998, the Company has recognized approximately $22,000, $10,000, $26,000, $0 and $45,000, respectively, as its portion of the income from these joint ventures.

(15) ACCRUED EXPENSES

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

	JUNE 30, 1996	JUNE 30, 1997	MARCH 31, 1998
Income taxes	$ 2,728	$ 6,711	$ 9,172
Payroll and payroll-related	5,672	3,713	5,432
Royalties and outside commissions	4,437	2,168	2,321
Other	3,580	5,376	4,878
	$16,417	$17,968	$21,803

(16) RELATED PARTY TRANSACTION

Smart Finance & Co., 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 and the nine months ended March 31, 1998, payments of approximately $72,000, $222,000 and $43,000, respectively, were made by the Company to Smart Finance & Co. as compensation for services rendered.

(17) 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	NINE MONTHS ENDED MARCH 31, 1997	1998
United States	52.2%	58.0%	50.0%	51.6%	54.7%
Europe	27.7	24.4	30.6	23.8	27.8
Japan	11.4	9.0	8.7	15.3	10.8
Other	8.7	8.6	10.7	9.3	6.7
	100.0%	100.0%	100.0%	100.0%	100.0%

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.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	UNITED STATES	EUROPE	ASIA	ELIMINATIONS	CONSOLIDATED
Year ended June 30, 1995 --					
Revenues	$ 64,819	$ 1,200	$ --	$ --	$ 66,019
Transfers between geographic locations	--	10,912	4,463	(15,375)	--
Total revenues	$ 64,819	$12,112	$4,463	$(15,375)	$ 66,019
Income from operations	$ 7,904	$ 1,113	$ 313	$ --	$ 9,330
Identifiable assets	$ 78,555	$ 4,237	$ 416	$ 51	$ 83,259
Year ended June 30, 1996 --					
Revenues	$ 111,304	$ 3,506	$ 8	$ --	$114,818
Transfers between geographic locations	--	13,771	4,645	(18,416)	--
Total revenues	$ 111,304	$17,277	$4,653	$(18,416)	$114,818
Income (loss) from operations	$ (10,363)	$ (102)	$ 15	$ --	$(10,450)
Identifiable assets	$ 192,016	$11,391	$ 414	$(45,814)	$158,007
Year ended June 30, 1997 --					
Revenues	$ 184,193	$ 9,833	$ 44	$ --	$194,070
Transfers between geographic locations	--	23,588	8,099	(31,687)	--
Total revenues	$ 184,193	$33,421	$8,143	$(31,687)	$194,070
Income from operations	$ 15,959	$ 2,622	$ 594	$ --	$ 19,175
Identifiable assets	$ 232,599	$ 7,493	$1,191	$(53,564)	$187,719

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial Statements of Business Acquired.

Because the impact of the acquired business does not meet the minimum materiality threshold of Rule 3-05(b)(2)(i) of Regulation S-X, financial information of the acquired business is not required to be filed pursuant to Item 7(a) of this Form 8-K.

(b) Pro Forma Financial Information.

Because (i) separate financial statements of the acquired business are not required to be included in this filing and (ii) the acquisition of Chesapeake does not constitute a significant business combination under Rule 11-01(b)(1) of Regulation S-X, pro forma financial information is not required to be filed pursuant to Item 7(b) of this Form 8-K.

(c) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
2.1	Agreement and Plan of Reorganization dated as of April 28, 1998, among Aspen Technology, Inc., AT Acquisition Corp., Chesapeake Decision Sciences, Inc. and Dr. Thomas E. Baker
23.1	Consent of Arthur Andersen LLP, Independent Public Accountants

SIGNATURES

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

ASPEN TECHNOLOGY, INC.

Date: June 3, 1998

By: /s/ MARY A. PALERMO

Mary A. Palermo
Executive Vice President, Finance and Chief Financial Officer

EXHIBIT INDEX

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Exhibit 2.1

AGREEMENT AND PLAN OF REORGANIZATION

DATED AS OF APRIL 28, 1998

AMONG

ASPEN TECHNOLOGY, INC.,

AT ACQUISITION CORP.,

CHESAPEAKE DECISION SCIENCES, INC.

AND

DR. THOMAS E. BAKER

TABLE OF CONTENTS

AGREEMENT AND PLAN OF REORGANIZATION

AGREEMENT dated as of April 28, 1998 among Aspen Technology, Inc., a Delaware corporation ("AspenTech"), AT Acquisition Corp., a Delaware corporation and wholly owned subsidiary of AspenTech ("Acquisition Corp."), Chesapeake Decision Sciences, Inc., a New Jersey corporation ("Chesapeake"), and Dr. Thomas E. Baker, a stockholder of Chesapeake (the "Principal Stockholder").

INTRODUCTION

The individuals named on EXHIBIT A, including the Principal Stockholder (collectively the "Stockholders"), are the record holders of all of the issued and outstanding shares of capital stock of Chesapeake.

The parties to this Agreement desire to effect a reorganization in which Acquisition Corp. shall be merged with and into Chesapeake (the "Merger"), with the surviving corporation to be a wholly owned subsidiary of AspenTech and all of the issued and outstanding shares of capital stock of Chesapeake to be converted into shares of common stock, $.10 par value, of AspenTech ("AspenTech Common"), all upon the terms and conditions set forth in this Agreement.

The boards of directors of AspenTech, Acquisition Corp. and Chesapeake each have determined that the Merger is in the best interests of their respective corporations and the stockholders thereof and have approved the Merger and the execution of this Agreement. The Principal Stockholder has delivered to Chesapeake a written consent dated April 28, 1998 approving the Merger and Chesapeake's execution of this Agreement, which consent constitutes all action of the Stockholders necessary to approve the Merger.

1. CERTAIN DEFINED TERMS.

As used in this Agreement, the following terms shall have the following meanings:

"ASPENTECH MAE" means any material adverse effect on the business, properties, assets or financial condition of AspenTech and its subsidiaries, taken as a whole.

"CHESAPEAKE CERTIFICATES" means the stock certificates representing all of the shares of Chesapeake Common outstanding immediately prior to the Closing.

"CHESAPEAKE CLASS A COMMON" means Class "A" common stock, without par value, of Chesapeake.

"CHESAPEAKE CLASS B COMMON" means Class "B" common stock, without par value, of Chesapeake.

"CHESAPEAKE COMMON" means, together, Class A Common and Class B Common.

"CHESAPEAKE DISCLOSURE SCHEDULE" means the disclosure schedule of Chesapeake attached to this Agreement.

"CHESAPEAKE MAE" means any material adverse effect on the business, properties, assets or financial condition of Chesapeake.

"CLOSING" means the closing of the transactions contemplated by this Agreement.

"CLOSING DATE" means the date on which the Closing is held, as established pursuant to Section 2.2.

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

"COMMITMENTS" means, with respect to a Person, all written contracts, agreements, instruments, powers of attorney, guarantees, promises, obligation, undertakings and commitments entered into by such Person.

"COMMONLY CONTROLLED ENTITY" means any entity that is under common control with Chesapeake within the meaning of Code section 414(b), (c), (m) or (o).

"CREDITOR EXCEPTION" means bankruptcy, reorganization, insolvency, moratorium or similar laws of general application from time to time in effect and relating to or affecting the rights or remedies of creditors generally.

"DAMAGES" has the meaning set forth in Section 9.1.

"DELAWARE AGREEMENT OF MERGER" means the agreement of merger to be executed by Acquisition Corp. and Chesapeake substantially in the form of EXHIBIT B.

"EFFECTIVE TIME" means the later of (a) the time at which the Delaware Agreement of Merger is filed with the Secretary of State of the State of Delaware and (b) the time at which the New Jersey Certificate of Merger is filed with the Secretary of State of the State of New Jersey.

"EMPLOYEE PLANS" means (a) all "employee benefit plans" as defined in ERISA section 3(3), (b) all "fringe benefit plans" as defined in Code section 6039D and (c) all other pension, benefit, profit sharing, retirement, deferred compensation, welfare, insurance, disability, bonus, vacation pay, severance pay and other similar plans, programs and agreements (including any and all self-insurance arrangements), whether reduced to writing or not, relating to the employees of Chesapeake or any Commonly Controlled Entity, or maintained at any time by Chesapeake or any Commonly Controlled Entity for its employees.

"EMPLOYMENT AGREEMENTS" means the employment agreements to be entered into as of the Closing Date between Chesapeake and Thomas E. Baker, Walter H. Beadling, Robert A. Cooper and David L. Linkin substantially in the forms set forth in EXHIBIT C, EXHIBIT D, EXHIBIT E and EXHIBIT F, respectively.

"ENVIRONMENT" means all navigable waters, waters of the contiguous zone, ocean waters, natural resources, surface waters, ground water, drinking water supply, land surface, subsurface strata, ambient air, both inside and outside of buildings and structures, and plant and animal life on Earth.

"ENVIRONMENTAL LAWS" means all federal, state, local and foreign laws, principles of common law, rules, regulations and codes, as well as orders, decrees, judgments or injunctions issued, promulgated, approved or entered thereunder relating to pollution, protection of the environment or public health and safety, including the Release or threatened Release of Oil or Hazardous Material into the environment or otherwise relating to presence, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Oil or Hazardous Material.

"ENVIRONMENTAL LIABILITIES AND COSTS" means all costs, expenses or losses, whether direct or indirect, known or unknown, current or potential, past, present or future, arising from, relating to or imposed by, under or pursuant to Environmental Laws and in any way based on, arising out of or otherwise in respect of (a) the ownership or operation by Chesapeake or any predecessor or affiliate, of the business of Chesapeake or (b) the condition or operation of any real property, assets, equipment or facilities owned, leased or operated by Chesapeake (including, in each case, the disposal or arrangement for the disposal of any Oil or Hazardous Material, or other substances or wastes on-site or off-site), including all costs, expenses or losses (i) related to Remedial Actions, (ii) necessary for compliance with any requirements of Environmental Laws and any applicable permits, licenses, approvals or other authorizations, (iii) necessary to make full economic use of the property, assets, equipment and facilities of Chesapeake (assuming that Chesapeake's properties are operated for substantially the same purpose and at substantially the same levels as at the date hereof) and (iv) related to reasonable fees, disbursements and expenses of counsel and consultants.

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

"ESCROW AGENT" means American Stock Transfer & Trust Company, as escrow agent under the Escrow Agreement.

"ESCROW AGREEMENT" means the escrow agreement to be entered into as of the Closing Date among AspenTech, Chesapeake, the Principal Stockholder and the Escrow Agent substantially in the form set forth as EXHIBIT G.

"ESCROW SHARES" has the meaning set forth in Section 2.5.

"ESOP" means the Chesapeake Decision Sciences, Inc. Employee Stock Ownership Plan and Trust effective January 1, 1987, as amended and restated effective January 1, 1989.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FACCENDA AGREEMENT" means the letter agreement dated March 10, 1997 between Chesapeake and Joseph Faccenda.

"GOVERNMENT ENTITY" means any domestic or foreign court, administrative agency or commission, or other governmental authority or instrumentality.

"HSR ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"INDEBTEDNESS" means (a) all indebtedness of Chesapeake for borrowed money, (b) all indebtedness or obligations of Chesapeake evidenced by bonds, notes, or similar written instruments, (c) all obligations of Chesapeake in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for the account of Chesapeake, (d) all capitalized lease obligations of Chesapeake, and (e) all guarantees by Chesapeake of indebtedness and obligations of other Persons, which indebtedness and obligations are of a character described in clause (a), (b), (c) or (d) of this definition.

"INTELLECTUAL PROPERTY" means all trademarks, trade names, service marks, logos, trade secrets, patents, inventions, copyrights and other proprietary rights, whether or not registered, and all rights, licenses and registration applications with respect thereto, used by Chesapeake in connection with the development, manufacturing, processing, distribution, licensing, service or marketing of products and services of Chesapeake.

"LIABILITIES" means all items (except items of capital stock or partners' or owners' equity or of surplus or retained earnings or of general contingency reserves) that in accordance with generally accepted accounting principles would be included in determining total liabilities as shown on the liability side of a balance sheet.

"NEW JERSEY CERTIFICATE OF MERGER" means the certificate of merger/consolidation (profit corporations) to be executed by Chesapeake and Acquisition Corp. substantially in the form of EXHIBIT H.

"NON-COMPETITION AGREEMENTS" means the non-competition agreements to be entered into as of the Closing Date among AspenTech, Chesapeake and each of Thomas E. Baker and David L. Linkin, each substantially in the form set forth in EXHIBIT I.

"NUMBER OF MERGER SHARES" means the remainder of (a) 3,000,000 less (b) the quotient of the total amount of Offset Expenses divided by the average of the last sales prices of AspenTech Common on the Nasdaq National Market during the ten trading days immediately preceding the date that is two business days before the Closing Date.

"OFFSET EXPENSES" means all costs and expenses of Chesapeake incurred or arising prior to the Closing in connection with or in anticipation of the Merger and the other transactions contemplated hereby, including all fees and expenses of accountants (including Rosenberg, Rich, Baker, Berman & Company, but excluding Arthur Andersen LLP), counsel (including Bourne, Noll & Kenyon and Skadden, Arps, Slate, Meagher & Flom LLP) and financial advisors (including Donaldson, Lufkin & Jenrette Securities Corporation) incurred by Chesapeake in connection with or in anticipation of the Merger or the other transactions contemplated hereby.

"OIL OR HAZARDOUS MATERIAL" means any waste, pollutant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or waste, petroleum or petroleum-derived substance or waste, asbestos-containing substance or waste, radioactive material or any constituent of any such substance or waste, including any such substance regulated under or defined by any Environmental Law.

"PERMITS" means all permits, licenses, variances, certificates of occupancy, exemptions, orders, approvals and authorizations of all Government Entities necessary to conduct Chesapeake's business substantially in the manner in which it is currently being conducted.

"PERSON" means any individual, company, corporation, association, partnership, joint venture, or other legal entity.

"REGISTRATION RIGHTS DECLARATION" means the declaration of registration rights adopted by the board of directors of Aspen, effective as of the Closing Date, substantially in the form set forth in EXHIBIT J.

"RELEASE" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching, migration, or movement of Oil or Hazardous Material through the Environment.

"REMEDIAL ACTION" means all actions reasonably necessary, whether voluntary or involuntary, to: (a) clean up, remove, treat or in any other way adjust Oil or Hazardous Material in the indoor or outdoor environment; (b) prevent the Release of Oil or Hazardous Material so that they do not migrate or endanger or threaten to endanger public health or welfare or the Environment; or (c) perform investigations, remedial studies, restoration and post-remedial studies and monitoring on, in, under, above or about any assets or properties on-site or off-site.

"SEC DOCUMENTS" has the meaning set forth in Section 5.4.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SURVIVING CORPORATION" has the meaning set forth in Section 2.7(a).

"TAX RETURNS" means all returns, declarations, reports, forms, estimates, information returns and statements required to be filed in respect of any Taxes or to be supplied to a taxing authority in connection with any Taxes.

"TAXES" means all taxes of any kind and nature, charges, fees, customs, duties, imposts, levies or other assessments, including all net income, gross receipts, ad valorem, value added, transfer, gains, franchise, profits, inventory, net worth, capital stock, asset, sales, use, license, estimated, withholding, payroll, transaction, capital, employment, social security, workers compensation, unemployment, excise, severance, stamp, occupation, and property taxes, together with any interest, penalties, additions or additional amounts imposed by any taxing authority.

"VIOLATION" means, with respect to any provision of a Commitment, statute, judgment, corporate governance document, security, or other legal document or instrument, (a) any material violation of or material default (with or without notice or lapse of time, or both) under such provision, (b) the arising of any right of termination, cancellation or acceleration of any material obligation, or loss of any material benefit, under such provision, or (c) the arising of any material lien, pledge, claim, charge, security interest, mortgage, easement, servitude, refusal, claim of infringement or other restriction or encumbrance of any kind, including any restriction on use, voting (in the case of any security), transfer, receipt of income or exercise of any other attribute of ownership on assets or properties.

2. THE MERGER.

2.1. MERGER DOCUMENTS. Subject to and upon the terms and conditions of this Agreement, and on the basis of the agreements, covenants, representations and warranties herein contained, at the Closing Acquisition Corp. and Chesapeake shall execute and deliver the Delaware Agreement of Merger and the New Jersey Certificate of Merger, which together shall provide for the Merger as of the Effective Time. Under the Delaware Agreement of Merger, shares of Chesapeake Common issued and outstanding immediately prior to the Effective Time will be converted into fully paid and nonassessable shares of AspenTech Common, in accordance with Section 2.4.

2.2. CLOSING DATE. The Closing shall be held on May 18, 1998 or, if each of the conditions to the Closing provided herein shall not have been satisfied or waived by such date, on a later date occurring as soon as reasonably practicable after each of such conditions has been satisfied or waived, as such later date shall be reasonably agreed upon by AspenTech, Acquisition Corp., Chesapeake and the Principal Stockholder. The time of the Closing on the Closing Date, and the place of the Closing, shall be as reasonably agreed upon by AspenTech, Acquisition Corp., Chesapeake and the Principal Stockholder.

2.3. EFFECTIVE TIME. Subject to the provisions of this Agreement, the parties hereto shall cause the Delaware Agreement of Merger to be filed in accordance with the Delaware General Corporation Law and shall cause the New Jersey Certificate of Merger to be filed in accordance with the New Jersey Business Corporation Act, in each case as soon as practicable after the Closing. The Merger shall become effective as of the Effective Time.

2.4. EFFECT ON CAPITAL STOCK. At the Effective Time, by virtue of the Merger and without any action on the part of any party:

(a) All of the 1,000 issued and outstanding shares of common stock, $.001 par value, of Acquisition Corp. shall be converted into an aggregate of 1,000 shares of Class "B" common stock, without par value, of the Surviving Corporation. Each stock certificate representing shares of common stock, $.001 par value, of Acquisition Corp. prior to the Effective Time shall represent an equal number of shares of Class "B" common stock, without par value, of the Surviving Corporation from and after the Effective Time.

(b) Each outstanding share of Chesapeake Common shall be converted, subject to the indemnification and escrow provisions of Section 9, into a number of shares of AspenTech Common equal to the quotient of the Number of Merger Shares divided by the number of shares of Chesapeake Common outstanding immediately prior to the Closing (including any shares issued pursuant to the Faccenda Agreement), rounded, with respect to each Stockholder, to the nearest whole share of AspenTech Common. Each fractional share of Chesapeake Common shall be converted into the equivalent fractional amount of such quotient, subject to rounding as aforesaid. No fractional shares of AspenTech Common shall be issuable in connection with the Merger.

2.5. EXCHANGE OF CHESAPEAKE CERTIFICATES. At the Closing, upon surrender of all of the Chesapeake Certificates to AspenTech (or affidavits and bonds relating thereto in accordance with Section 2.6), AspenTech shall deliver to each of the Stockholders certificates representing ninety percent of the shares of AspenTech Common issuable to such Stockholder pursuant to Section 2.4 and shall deliver to the Escrow Agent, in accordance with the provisions of Section 9 and the Escrow Agreement, a certificate representing the remaining ten percent of the Number of Merger Shares issuable to the Stockholders (the "Escrow Shares"). Upon the delivery of such certificates representing AspenTech Common, the Chesapeake Certificates shall forthwith be canceled. All AspenTech Common issued to the Stockholders pursuant to this Section 2.5 or retained in escrow pursuant to Section 9 and the Escrow Agreement shall be deemed to have been given in full satisfaction of all rights pertaining to the ownership of the shares represented by the Chesapeake Certificates.

2.6. LOST, STOLEN OR DESTROYED CHESAPEAKE CERTIFICATES. In the event any of the Chesapeake Certificates shall have been lost, stolen or destroyed, AspenTech shall issue in exchange for such lost, stolen or destroyed Chesapeake Certificates, upon the making of an affidavit of that fact by the record holder thereof, shares of AspenTech Common in accordance with Sections 2.4 and 2.5; provided, however, that AspenTech may, in its discretion and as a condition precedent to the issuance thereof, require the record holder of such lost, stolen or destroyed Chesapeake Certificates to deliver a bond in such sum as AspenTech may reasonably direct as indemnity against any claim that may be made against AspenTech with respect to the Chesapeake Certificates alleged to have been lost, stolen or destroyed.

2.7. OTHER EFFECTS. At the Effective Time:

(a) the separate existence of Acquisition Corp. shall cease and Acquisition Corp. shall be merged with and into Chesapeake, with Chesapeake remaining as the surviving corporation (the "Surviving Corporation");

(b) the by-laws of Chesapeake shall become the by-laws of the Surviving Corporation;

(c) the directors and officers of Acquisition Corp. shall become the directors and officers of the Surviving Corporation; and

(d) the Merger shall, from and after the Effective Time, have all of the effects provided under the Delaware General Corporation Law, the New Jersey Business Corporation Act and any other applicable law.

2.8. ACCOUNTING AND TAX TREATMENT. The parties intend that the Merger shall be treated as a pooling of interests for accounting purposes and as a reorganization under Code section 368(a).

2.9. FURTHER ACTION. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, properties, rights, privileges and powers of Acquisition Corp. and Chesapeake, the officers and directors of Acquisition Corp. and Chesapeake are fully authorized in the name of their respective corporations or otherwise to take, and shall take, all such lawful and necessary action.

3. REPRESENTATIONS AND WARRANTIES OF CHESAPEAKE.

Chesapeake represents and warrants to AspenTech as follows, subject to such exceptions as are specifically disclosed under appropriate section headings in the Chesapeake Disclosure Schedule:

3.1. ORGANIZATION AND QUALIFICATION. Chesapeake is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. Chesapeake is qualified to do business and is in good standing in all other jurisdictions in which such qualification is required, other than those jurisdictions where failure to so qualify would not have a Chesapeake MAE. Chesapeake has all requisite corporate power and authority to own its property, to carry on its business as now being conducted, to execute, deliver and perform this Agreement, and to consummate the transactions contemplated by this Agreement. Complete and correct copies of the Certificate of Incorporation and By-Laws of Chesapeake, each as amended to date, have been delivered to AspenTech.

3.2. CAPITALIZATION AND OTHER OWNERSHIP INTERESTS. The authorized capital stock of Chesapeake consists of 1,000 shares of Chesapeake Class A Common, of which 300 shares are outstanding and no shares are held as treasury stock as of the date hereof, and 1,000 shares of Chesapeake Class B Common, of which 197.95176 shares are outstanding and no shares are held as treasury stock as of the date hereof. All of the outstanding shares of Chesapeake Common have been duly authorized and validly issued, are fully paid and nonassessable, and are not subject to preemptive rights created by statute, Chesapeake's Certificate of Incorporation or By-Laws, or any agreement to which Chesapeake is a party or by which it is bound. Each of the Stockholders is the record holder of the number of shares of Chesapeake Class A Common and Chesapeake Class B Common set forth opposite such Stockholder's name on EXHIBIT A. The shares of Chesapeake Class A Common held of record of Robert A. Cooper, as trustee of the ESOP, were, as of December 31, 1997, beneficially owned by the ESOP participants named in EXHIBIT K, in the respective numbers set forth opposite their names therein. No Indebtedness having the right to vote (or convertible into securities having the right to vote) on any matters on which holders of Chesapeake Common may vote has been issued or is outstanding. Except as provided by the ESOP and the Faccenda Agreement (complete and correct copies of both of which have been provided to AspenTech), neither Chesapeake, the Principal Stockholder nor, to the knowledge of Chesapeake, any of the other Stockholders is a party to or bound by: (a) any option, warrant, call, right or agreement obligating Chesapeake to issue, deliver or sell additional shares of Chesapeake Common or to grant, extend or enter into any such option, warrant, call, right or agreement; (b) any option, warrant, call, right or agreement obligating any Stockholder, in any circumstances, to deliver or sell, or offer for delivery or sale, any shares of Chesapeake Common or obligating any of the Stockholders to grant, extend or enter into any such option, warrant, call, right or agreement, including any agreement containing provisions with respect to preemptive rights, rights of first refusal, purchase rights, "tag-along" or "come-along" arrangements, or similar rights, except as provided in the redemption agreements between Chesapeake and certain employees as listed in the Chesapeake Disclosure Schedule (complete and correct copies of all of which have been provided or made available to AspenTech); (c) any voting trust, proxy or other agreement or understanding with respect to the voting of shares of Chesapeake Common; and (d) any other agreement restricting the transfer of, or affecting rights with respect to, shares of Chesapeake Common. The Faccenda Agreement contemplates that .3032 shares of Chesapeake Common will become issuable to Joseph Faccenda on May 1, 1998 if Mr. Faccenda continues to be employed by Chesapeake as of that date. In the event such fractional share of Chesapeake Common is issued to Mr. Faccenda pursuant to the Faccenda Agreement, EXHIBIT A shall be promptly amended to reflect such fractional share and Mr. Faccenda shall be deemed to be a "Stockholder" for purposes of this Agreement.

3.3. AUTHORITY; NO VIOLATIONS.

(a) The execution, delivery and performance of this Agreement and all agreements and instruments to be entered into or delivered by Chesapeake in connection with the transactions contemplated hereby (including the Delaware Agreement of Merger, the New Jersey Certificate of Merger and each of the Employment Agreements and Non-Competition Agreements) have been duly and validly authorized by all requisite corporate action on the part of Chesapeake. This Agreement has been duly executed and delivered by Chesapeake, constitutes a valid and binding obligation of Chesapeake, and is enforceable against Chesapeake in accordance with its terms, all as may be subject to or affected by the Creditor Exception. As of the Closing Date, the Delaware Agreement of Merger, the New Jersey Certificate of Merger and each of the Employment Agreements and Non-Competition Agreements will be duly and validly executed and delivered by Chesapeake and will constitute valid and binding obligation of Chesapeake enforceable in accordance with their respective terms, all as may be subject to or affected by the Creditor Exception.

(b) The execution, delivery and performance of this Agreement by Chesapeake do not and will not result in any Violation of any provision of (i) the Certificate of Incorporation or By-Laws of Chesapeake, each as amended to date, (ii) any Commitment by which Chesapeake is bound, (iii) any judgment, order, decree, ruling or injunction applicable to Chesapeake or the Chesapeake Common or (iv) any statute, law, regulation or rule of any Government Entity applicable to Chesapeake or the Chesapeake Common. Chesapeake does not have any plans, programs or agreements to which it is a party or subject pursuant to which payments may be required or acceleration of benefits may be required upon a change of control of Chesapeake.

(c) No consent, approval, order or authorization of, or registration, declaration or filing with, any Government Entity is required by or with respect to Chesapeake in connection with the execution, delivery and performance of this Agreement by Chesapeake, except for the filing of a notification under the HSR Act, the filing of the Delaware Agreement of Merger with the Secretary of State of the State of Delaware, the filing of the New Jersey Certificate of Merger with the Secretary of State of the State of New Jersey, and such other consents, authorizations, filings, approvals and registrations that if not obtained or made would not have a material adverse effect on the transactions contemplated by this Agreement.

3.4. COMPLIANCE WITH APPLICABLE LAWS. Chesapeake holds all Permits and has delivered or made available to AspenTech complete and correct copies of all of the Permits. All of the Permits are in full force and effect and Chesapeake is in compliance with the terms of the Permits, except in either case where any failure, individually or in the aggregate with any other such failures, would not have a Chesapeake MAE.

No Violation of any of the Permits has been alleged by any Government Entity, and no proceeding is pending, or to the knowledge of Chesapeake threatened, to revoke, suspend, cancel or limit any of the Permits. Except for normal renewal and reporting requirements, no action by Chesapeake, AspenTech, the Surviving Corporation or any other party is required in order that all of the Permits will remain in full force and effect following the Merger. The business of Chesapeake is not being conducted in Violation of any law, ordinance or regulation or any order, judgment, injunction, award or decree of any Government Entity and Chesapeake is not otherwise subject to or in Violation of any judgment, order, writ, injunction or decree of any court, administrative agency or Government Entity or under any rule or regulation of any Government Entity relating to or affecting Chesapeake (other than Environmental Laws, which are the subject of Section 3.22), except in any such case where any such Violation, individually or in the aggregate with any other such Violations, would not have a Chesapeake MAE.

3.5. PROPERTIES. The unaudited balance sheet of Chesapeake at March 31, 1998 reflects all of the real and personal property used by Chesapeake in its business or otherwise held by Chesapeake, except for personal property acquired in the ordinary course of business by Chesapeake since March 31, 1998 and personal property not required under generally accepted accounting principles to be reflected on the unaudited balance sheet of Chesapeake at March 31, 1998. Chesapeake has good and marketable title in fee simple to the real property owned by it and good and marketable title to all of the personal property reflected as owned on the unaudited balance sheet of Chesapeake at March 31, 1998 or thereafter acquired, in each case free and clear of any imperfection of title, lien, claim or encumbrance except for (a) any lien, claim or encumbrance securing taxes, assessments, governmental charges or levies, or the claims of material men, carriers, landlords and similar Persons, all of which are not yet due and payable, (b) imperfections of title and other minor liens, claims and encumbrances that do not have a material adverse effect on the use of such real or personal property by Chesapeake and (c) as shown on deeds, title policies or other real estate instruments provided or made available to AspenTech. Chesapeake does not own or hold, and is not obligated under or a party to, any option, right of first refusal or other contractual right to purchase, acquire, sell or dispose of any real property. There is no lease, sublease, license or other agreement granting to any Person other than Chesapeake any right to the possession, use, occupancy or enjoyment of any portion of the real property owned by Chesapeake. The continued use, occupancy and operation of the real property owned by Chesapeake as currently used, occupied and operated does not constitute a nonconforming use under any law, ordinance or regulation or any order, judgment, injunction, award or decree of any Government Entity such as would have a Chesapeake MAE.

3.6. FINANCIAL STATEMENTS. The unaudited balance sheets of Chesapeake at each of December 31, 1995, 1996 and 1997 and the related unaudited statements of income, stockholders' equity and cash flows for the years then ended, and the unaudited balance sheet of Chesapeake at March 31, 1998 and the related unaudited statements of income, stockholders' equity and cash flows for the three months then ended, all as provided by Chesapeake to AspenTech, have been prepared in accordance with generally accepted accounting principles, applied on a consistent basis for the periods involved (except that such statements do not contain all the notes that may be required by generally accepted accounting principles and are subject to normal and recurring year-end adjustments that are not expected to be material in amount), and fairly present in all material respects the financial position of Chesapeake as of the dates thereof and its results of operations and cash flows for the periods then ended. The books of account of Chesapeake have been prepared and maintained in accordance with Chesapeake's normal practice, and Chesapeake has indicated to AspenTech those provisions that are not consistent in all material respects with the accounting principles and policies reflected in such financial statements.

3.7. INDEBTEDNESS. Chesapeake does not have any outstanding Indebtedness other than Indebtedness reflected or reserved against in the unaudited balance sheet of Chesapeake at March 31, 1998 and accounts payable incurred since March 31, 1998 in the ordinary course of business consistent with past practice.

3.8. ABSENCE OF CERTAIN CHANGES OR EVENTS; UNDISCLOSED LIABILITIES. Since March 31, 1998, Chesapeake has not entered into any transaction that is not in the ordinary course of business consistent with past practice, except as otherwise specifically contemplated by this Agreement. Since March 31, 1998, Chesapeake has not sold or purchased, assigned or transferred any of its assets or properties or canceled any material debts or material claims, or done any act or omitted to do any act that would cause any Violation of any material Commitment of Chesapeake. Since March 31, 1998, there has been no change, and no commitments have been made by Chesapeake, that has had, or could reasonably be expected to have, a Chesapeake MAE. Chesapeake does not have any unstated Liabilities other than Liabilities reflected or reserved against in the unaudited balance sheet of Chesapeake at March 31, 1998, other than Liabilities incurred since March 31, 1998 in the ordinary course of business consistent with past practice.

3.9. LITIGATION. Chesapeake is not a party to nor to its knowledge threatened with, or involved in any litigation, suit, action, investigation, proceeding or controversy, at law or in equity, before any court, administrative agency or other Government Entity relating to or affecting Chesapeake. To the knowledge of Chesapeake, there are no facts that, if known to customers, Government Entities or other Persons, would result in any claim, dispute, action, suit, appeal, legal, administrative or arbitral proceeding, or investigation that could reasonably be expected to have a Chesapeake MAE. Chesapeake is not named as a subject of any order, writ, injunction or decree of any court, agency, authority, arbitration panel or other tribunal, nor is it in default with respect to any notice, order, writ, injunction or decree. No judgment has been entered by, and no claim, dispute, action, suit, appeal, legal, administrative or arbitral proceeding, or investigation, at law or in equity, is pending or, to the knowledge of Chesapeake, threatened that materially and adversely affects, or could materially and adversely affect, the ability of Chesapeake or any of the Stockholders to perform under this Agreement.

3.10. COMMITMENTS.

(a) Chesapeake has delivered or made available to AspenTech complete and correct copies of the following Commitments of Chesapeake:

(i) pledges, conditional sale or title retention agreements, security agreements, equipment obligations, and lease agreements relating to any assets or properties of Chesapeake;

(ii) Commitments currently in effect that were entered into in the ordinary course of business and that involve executory payment of consideration to or by Chesapeake in excess of $100,000;

(iii) Commitments to perform consulting, modeling or integration services that include an obligation, guarantee, promise or undertaking to be responsible or liable for damages, losses or costs in excess of $100,000;

(iv) Commitments establishing franchise, distribution or sales agency arrangements;

(v) Commitments with any current or former officer, director, employee, consultant, agent, representative or security holder, including any employment, consulting or deferred compensation agreement and any executive compensation, bonus or incentive plan agreement;

(vi) Commitments for the purchase, sale or lease of materials, supplies, equipment, goods, research and development, or capital assets, or the receipt of services, the performance of which will extend over a period of more than one year or involve consideration in excess of $100,000;

(vii) Commitments under which Chesapeake agrees to indemnify any party other than Commitments entered into in the ordinary course of business;

(viii) Commitments for the sale of any assets or properties of Chesapeake other than in the ordinary course of business or for the grant to any Person of any preferential rights to purchase any assets or properties of Chesapeake; and

(ix) any other Commitments that were not made in the ordinary course of business and that are, individually or in the aggregate, material to Chesapeake.

(b) With respect to each Commitment described in Section 3.10(a), (i) Chesapeake is not in Violation of any provision of such Commitment, (ii) no event has occurred that, after notice or lapse of time or both, would constitute a Violation of any provision of such Commitment, and (iii) to the knowledge of Chesapeake, there is no existing Violation of any provision of such Commitment by any other party to such Commitment and no event has occurred that, after notice or lapse of time or both, would constitute such a Violation by such other party.

3.11. CUSTOMERS, SUPPLIERS AND SALES AGENTS. The relationships of Chesapeake with its suppliers, customers and sales agents are good commercial working relationships. Since December 31, 1997, no customer, supplier or sales agent of Chesapeake has canceled or otherwise terminated, or threatened in writing to cancel or otherwise terminate, its relationship with Chesapeake.

3.12. WARRANTY AND PRODUCT LIABILITY CLAIMS. No amounts in excess of $50,000 have been paid to third parties in satisfaction of warranty or other product liability claims made against Chesapeake other than in the ordinary course of business. Chesapeake does not have and will not have any obligations for warranties or indemnities in connection with the conduct of its business prior to the Closing Date in excess of the amount accrued therefor on the unaudited balance sheet of Chesapeake at March 31, 1998.

3.13. INTELLECTUAL PROPERTY.

(a) Chesapeake owns, or is licensed or otherwise possesses legally enforceable rights to use, all Intellectual Property rights that either are material to Chesapeake or are commonly used by Chesapeake for the development, support or license of any of the software products licensed or used by Chesapeake, and all designs, permits, labels, packages and displays, schematics, technology, know-how, computer software programs or applications (in object code form and, with respect to Intellectual Property rights owned or purported to be owned by Chesapeake, in source code form) used on or in connection with such rights, and Chesapeake has not received notice of a claim, and does not have present knowledge of any potential claim, against Chesapeake that any of its operations, activities, products or publications infringes on any patent, trademark, trade name, copyright or other property right of others, or that Chesapeake is illegally or otherwise using the trade secrets, formulae or any property rights of others. To the knowledge of Chesapeake, (i) there are no assertions by others against

Chesapeake conflicting with Chesapeake's rights to any Intellectual Property, (ii) no other Person has any superior right to the Intellectual Property owned or purported to be owned by Chesapeake, and (iii) no other Person has infringed the rights of Chesapeake in the Intellectual Property or uses the Intellectual Property owned or purported to be owned by Chesapeake without a license from Chesapeake. Chesapeake is not aware of any steps in its judgment reasonably necessary to protect its right, title and interest in and to the Intellectual Property that have not been taken.

(b) The execution and delivery of this Agreement by Chesapeake, and the consummation of the transactions contemplated hereby, will not cause Chesapeake to be in Violation of any provision of any license, sublicense or agreement with respect to Intellectual Property.

(c) Each employee, officer and consultant of Chesapeake has executed a confidentiality agreement in substantially the form provided to AspenTech, providing Chesapeake with title and ownership to Intellectual Property developed or used by Chesapeake in its business. All of such agreements are valid, binding and enforceable in accordance with their terms in all material respects. To the knowledge of Chesapeake, no employee, officer or consultant of Chesapeake is in Violation of any term or any employment or consulting contract, proprietary information and inventions agreement, non-competition agreement, or any other contract or agreement relating to the relationship of any such employee, officer or consultant with Chesapeake or any previous employer.

(d) Each Chesapeake software program has been tested for compliance with Year 2000 standards, are Year 2000 compliant and otherwise comply with the Year 2000 warranties and representations made in binding agreements with third parties. Year 2000 compliant means that the products are capable of (i) correctly processing, providing and receiving date data within and between the twentieth and twenty-first centuries and (ii) handling the computer date rollover on December 31, 1999 at midnight.

(e) Each Chesapeake software program substantially meets the specifications applicable to it and the standards set forth in the documentation and marketing information and in Chesapeake's representations and warranties (express and implied) to customers and sales agents.

3.14. INVESTMENTS. Chesapeake does not directly or indirectly own, or have the right to acquire, any equity interest or investment in the equity capital of any Person. Chesapeake has no obligation to acquire any class of securities (including debt securities) issued by any Person. Chesapeake has not owned or controlled any subsidiary corporation or any stock or other interest in any Person and is not a party to, and has not been a party to, or bound by any partnership, joint venture, voluntary association, cooperative or business trust agreement or arrangement other than in the ordinary course of business.

3.15. INSURANCE. The Chesapeake Disclosure Schedule sets forth a complete and correct list of all insurance policies that are maintained by Chesapeake or of which Chesapeake is a beneficiary or a named insured. All such insurance policies will be maintained through and including the Closing Date. Such insurance policies will not terminate as a result of any action contemplated by this Agreement and will remain valid in accordance with their terms after the Merger. Chesapeake is not a party to, or bound by, any Commitment requiring Chesapeake (a) to name a third party as loss payee under any insurance policy or binder held by or on behalf of Chesapeake or otherwise requiring Chesapeake to obtain insurance for or on behalf of any party or (b) to provide coverage to third parties (such as, for example, under leases or service agreements). There is no self-insurance arrangement by or affecting Chesapeake.

3.16. BOOKS AND RECORDS. The general ledgers and books of account of Chesapeake are in all material respects complete and correct and have been maintained in accordance with Chesapeake's normal accounting practices. Chesapeake has no knowledge of any law or regulation that would materially affect the information and disclosures set forth in the books, records and accounts, correspondence, production records, technical, accounting, manufacturing and procedural manuals, customer lists, studies, reports and summaries relating to Chesapeake.

3.17. EMPLOYEE RELATIONS.

(a) Chesapeake is in material compliance with all laws respecting employment and employment practices, terms and conditions of employment, and wages and hours, and is not engaged in any unfair labor practice. Chesapeake is not in arrears in the payment of any wages. There is no material labor trouble affecting Chesapeake.

(b) The Chesapeake Disclosure Schedule sets forth a complete and correct list of (i) the employee benefits provided by Chesapeake to its employees and all contracts or agreements between Chesapeake and any of its employees and (ii) Chesapeake's current payroll, including the current salary or wage rates of each of its employees, showing separately for each employee the amounts paid or payable as bonus payments for the year ending December 31, 1997, including any special bonus arrangements payable prior to the Closing.

3.18. EMPLOYEE PLANS.

(a) The Chesapeake Disclosure Schedule contains a complete and correct list of all Employee Plans, and Chesapeake has no other obligations relating to any Employee Plan, contingent or otherwise, past or present, under any applicable law or the terms of any Employee Plan.

(b) No Employee Plan is subject to ERISA Title IV or to Code section 412 or is a defined benefit plan within the meaning of ERISA section 3(35) or Code section 414(i). Neither Chesapeake nor any Commonly Controlled Entity has ever maintained or contributed to a "multiemployer pension plan," as such term is defined in ERISA section 3(37). Each of Chesapeake and any Commonly Controlled Entities has made all payments due from it to date with respect to each Employee Plan. All amounts properly accrued as liabilities to or expenses of any Employee Plan that have not been paid have been properly reflected on the unaudited balance sheet of Chesapeake at March 31, 1998. Each Employee Plan conforms to, and its administration (where applicable) is in material compliance with, the terms of such Employee Plan, the Code and ERISA and with all other applicable federal, state, and local laws and regulations. To the knowledge of Chesapeake, there are no actions, liens, suits or claims pending or threatened (other than routine claims for benefits) with respect to any Employee Plan. Each Employee Plan that is intended to qualify under Code section 401(a) or 402(a) so qualifies, and the Internal Revenue Service has issued a favorable determination letter with respect to such plan. No event has occurred and there exists no condition or set of circumstances that presents a material risk of a partial termination (within the meaning of Code section 411(d)(3)) of any Employee Plan. Chesapeake does not have any Employee Plan that is a "group health plan" (as defined in ERISA section 607(1)), other than medical insurance coverage as described in the Chesapeake Disclosure Schedule. No assets or properties of Chesapeake are allocated to or held in a "rabbi trust" or similar funding vehicle. Chesapeake does not have any Employee Plan that is a welfare plan within the meaning of ERISA section 3(1) (regardless of whether the plan is covered by ERISA) and that provides benefits to current or former employees beyond their retirement or other termination of service (other than coverage mandated by COBRA, the cost of which is fully paid by the current or former employee or his dependents); and there exists no (i) unfunded benefit obligations with respect to any employee of Chesapeake that are not fairly reflected by reserves shown on Chesapeake's most recent financial statements or (ii) reserves, assets, surpluses or prepaid premiums with respect to any Employee Plan that is a welfare plan within the meaning of ERISA section 3(1) (regardless of whether the plan is covered by ERISA).

(c) Chesapeake has performed in all material respects all obligations required to be performed by it under, and is not in Violation in any respect of, and there has been no Violation by any other party with respect to, any of the Employee Plans. There has been no "prohibited transaction" (as such term is defined in Code section 4975 or in part 4 of subtitle B of ERISA Subchapter I) with respect to any Employee Plan. No Employee Plan has incurred any federal income or excise tax liability.

(d) Chesapeake has previously delivered or made available to AspenTech complete and correct copies of all Employee Plans that have been reduced to writing and written descriptions of all Employee Plans that have not been reduced to writing, and all agreements, including trust agreements and insurance contracts, related to such Employee Plans.

(e) All premiums or other payments required by the terms of any group or individual insurance policies and programs maintained by Chesapeake and covering any present or former employees of Chesapeake with respect to all periods up to and including the Closing Date have been fully paid for the length of the obligation.

(f) The consummation of the transactions contemplated by this Agreement will not (i) entitle any individual currently or formerly employed by Chesapeake or any Commonly Controlled Entity to severance pay, unemployment compensation or any similar payment, (ii) accelerate the time of payment or vesting, or increase the amount of any compensation due to, any individual currently or formerly employed by Chesapeake or any Commonly Controlled Entity, (iii) constitute or involve a prohibited transaction (as defined in ERISA section 406 or Code section 4975), constitute or involve a breach of fiduciary responsibility within the meaning of ERISA section 502(l) or otherwise violate part 4 of title I or ERISA or (iv) result in the payment of compensation that would, in combination with any other payment, result in an "excess parachute payment" within the meaning of Code section 280G(b).

(g) All reports, returns and similar items required to be filed with any Government Entity or distributed to employees or Employee Plan participants in connection with the maintenance or operation of any Employee Plan have been duly and timely filed and distributed, and there have bee no acts or omissions by Chesapeake or any Commonly Controlled Entity that have given rise to, or may reasonably be expected to give rise to, any material fines, penalties, taxes or related charges under ERISA section 502(c), 502(i) or 4071 or Code chapter 43 or section 6039D for which Chesapeake or any Commonly Controlled Entity may be liable.

3.19. POTENTIAL CONFLICTS OF INTEREST. Except for compensation received as an employee, no officer, director or Stockholder of Chesapeake and no entity known by Chesapeake to be controlled by any officer, director or Stockholder of Chesapeake:

(a) is directly or indirectly engaged in business as a competitor, lessor, lessee, customer or supplier of Chesapeake; owns directly or indirectly any interest in any Person (except for ownership of not more than five percent of the outstanding voting stock of any publicly traded company) that is directly or indirectly engaged in business as a competitor, lessor, lessee, franchisee, customer or supplier of Chesapeake; or is an officer, director, employee or consultant of any such Person;

(b) owns directly or indirectly, in whole or part, any material tangible or intangible property used by Chesapeake;

(c) has any cause of action or other claim whatsoever against, or owes any amount to, Chesapeake, except for (i) claims in the ordinary course of business, such as for normal compensation, accrued vacation pay and advances for reimbursable expenses, (ii) rights under the ESOP, and (iii) similar matters in agreements existing on the date hereof, complete and correct copies of which have been provided or made available to AspenTech; or

(d) has made any payment or commitment to pay any commission, fee or other amount to, or purchase or obtain or otherwise contract to purchase or obtain any goods or services from, any Person of which any officer or director of Chesapeake is a partner or stockholder (except for ownership of not more than five percent of the outstanding voting stock of any publicly traded company).

3.20. BANK ACCOUNTS. Chesapeake has provided or made available to AspenTech complete and correct written summaries of information regarding all accounts, lock boxes and safe deposit boxes maintained by Chesapeake at banks, trust companies, securities or other brokers or other financial institutions, including the names of all Persons authorized to draw thereon or have access thereto.

3.21. TAXES.

(a) Chesapeake has timely filed in accordance with all applicable laws all Tax Returns required to be filed by or with respect to it, its operations and assets, and all Taxes shown as due on such Tax Returns have been paid. All Tax Returns filed by Chesapeake with respect to Taxes were prepared in compliance with all applicable laws and regulations and were true and complete in all material respects as of the date on which they were filed or as subsequently amended to the date hereof. Complete and correct copies of federal, state, local and foreign Tax Returns of Chesapeake for each of the years ended December 31, 1993, 1994, 1995 and 1996 have been delivered or made available to AspenTech. Prior to the date hereof, Chesapeake has provided or made available to AspenTech complete and correct copies of all revenue agents' reports and other written assertions of deficiencies or other liabilities for Taxes with respect to the past periods for which the applicable statute of limitations has not expired. Chesapeake will provide to AspenTech copies of any such reports or written assertions received after the date hereof within ten days of receipt.

(b) Chesapeake has timely filed, or will timely pay on or prior to the Closing Date, all Taxes for which notice of, or assessment or demand for, payment has been received or that are otherwise due and payable up to and including the Closing Date with respect to Chesapeake, its operations and assets (in each case, whether or not shown on any Tax Return).

(c) Chesapeake has complied in all material respects with all applicable laws, rules and regulations relating to the withholding of Taxes and has timely collected or withheld and paid over (and up to the Closing Date will have timely collected or withheld and paid over) to the proper governmental authorities substantially all amounts required to be so collected or withheld and paid over for all periods up to the Closing Date under all applicable laws. There are not currently in effect any waivers or extensions of any applicable statute of limitations for the assessment or collection of Taxes with respect to any Tax Return that relates to Chesapeake, and no request for any such waiver or extension is pending. There are no Tax rulings, requests for rulings or closings agreements relating to Chesapeake that could affect its liability for Taxes for any period after the Closing Date.

(d) No action, suit, proceeding, investigation, audit, claim or assessment is presently pending, or to the knowledge of Chesapeake threatened, with regard to any Taxes for which Chesapeake would or could be liable. Chesapeake does not know of any fact or condition that, if known to any taxing authority having jurisdiction, would likely result in the issuance of a notice of proposed deficiency or similar notice of intention to assess Taxes against Chesapeake, and no issue has arisen in any examination of Chesapeake by any taxing authority that if raised with respect to any other period not so examined would, if upheld, result in a material deficiency for such other period.

(e) Chesapeake is not a party to, bound by or subject to any Tax allocation or Tax sharing agreement (or similar agreement). Chesapeake has no current or potential contractual obligation to indemnify any other Person with respect to Taxes, and has no obligation to make distributions in respect of Taxes.

(f) No claim has ever been made by a taxing authority in a jurisdiction where Chesapeake does not file Tax Returns that Chesapeake is or may be subject to taxation in such jurisdiction.

(g) No power of attorney has been granted by Chesapeake with respect to any matter relating to Taxes, which power of attorney is currently in force.

3.22. ENVIRONMENTAL MATTERS.

(a) Chesapeake has been in the past and is now in material compliance with all Environmental Laws and all requirements of applicable Permits pertaining thereto.

(b) Chesapeake has received no notification that it is or could be, and to the knowledge of Chesapeake there is no basis for it to become, and it is not, subject to any claim, action, obligation, proceeding, investigation or evaluation, directly or indirectly relating to any of its current or past operations, or those of any predecessor or affiliate, or any of its currently or formerly owned, leased or operated properties, or those of any predecessor or affiliate, that could reasonably be expected directly or indirectly to result in the incurrence of any Environmental Liabilities and Costs by Chesapeake.

(c) There are not now and never have been any underground storage tanks situated on any real property owned by Chesapeake or any of its affiliates or, to the knowledge of Chesapeake, any property leased or operated by Chesapeake or any of its affiliates.

(d) Chesapeake has entered into no agreement with any Government Entity or other Person by which responsibility was assumed, either directly or indirectly, for the conduct of any Remedial Action or the incurrence of any other Environmental Liabilities and Costs.

(e) Chesapeake has not prepared, caused to be prepared or received any environmental audits, environmental risk assessments or site assessments. Chesapeake is not a party to any Commitment with respect to the removal or disposal of any Oil or Hazardous Material.

3.23. FINDER'S FEES. Neither Chesapeake nor the Principal Stockholder has incurred any liability, contingent or otherwise, for brokerage fees, finder's fees, agent's commissions, financial advisory fees or other similar forms of compensation in connection with this Agreement or any of the transactions contemplated hereby, other than to Donaldson, Lufkin & Jenrette Securities Corporation.

3.24. DISCLOSURE. Disclosure of any matter herein, including as set forth under any Section of the Chesapeake Disclosure Schedule, shall, if reasonable, be deemed to be set forth under any other Section of the Chesapeake Disclosure Schedule for which such matter is applicable. Chesapeake has made available to AspenTech all material facts pertaining to its business and properties.

4. ADDITIONAL REPRESENTATIONS AND WARRANTIES OF THE PRINCIPAL STOCKHOLDER.

The Principal Stockholder represents and warrants to AspenTech and Acquisition Corp. as follows:

4.1. INVESTMENT IN ASPENTECH COMMON.

(a) The Principal Stockholder is an accredited investor as defined in Rule 501 under the Securities Act and is a resident of New Jersey. The Principal Stockholder (together with such Principal Stockholder's financial and other advisors, if any) has such knowledge and expertise in financial and business matters that the Principal Stockholder is capable of evaluating the merits and risks of the conversion of the Principal Stockholder's shares of Chesapeake Common into shares of AspenTech Common pursuant to the Merger and of protecting the Principal Stockholder's interests in connection therewith. The Principal Stockholder has the ability to bear the economic risk of his investment in AspenTech Common.

(b) The Principal Stockholder has received from AspenTech and has reviewed copies of AspenTech's proxy statement dated November 25, 1997, annual report on Form 10-K for the fiscal year ended June 30, 1997 and quarterly reports on Form 10-Q for the quarters ended September 30, 1997 and December 31, 1997, and will review any additional SEC Documents provided by AspenTech. The Principal Stockholder has had an opportunity to discuss AspenTech's business, management and financial affairs with AspenTech's management.

(c) The Principal Stockholder understands that the shares of AspenTech Common to be issued in connection with the Merger will not be registered under the Securities Act and will not be registered or qualified under the securities or blue sky laws of any jurisdiction, except as contemplated by the Registration Rights Declaration. The Principal Stockholder further understands that such shares are being issued to the Stockholders pursuant to exemptions contained in the Securities Act and other applicable securities and blue sky laws and that AspenTech's reliance on these exemptions is based in part on the representations of the Principal Stockholder made herein. The Principal Stockholder is acquiring shares of AspenTech Common for his own account and not with a view to, or for resale in connection with, any distribution thereof in Violation of any applicable law, and unless the shares have been registered in accordance with this Agreement and such registration is then in effect, the Principal Stockholder has no present intention of selling, granting any participation in, or otherwise distributing the same in Violation of any applicable law. The Principal Stockholder understands that the shares of AspenTech Common issued in the Merger will constitute "restricted securities" within the meaning of Rule 144 under the Securities Act and that, as such, such shares must be held indefinitely unless they are subsequently registered under the Securities Act or unless an exemption from the registration requirements of the Securities Act is available. The Principal Stockholder is also aware of the provisions of Rule 144 under the Securities Act that permit limited resales of shares purchased in a private placement subject to the satisfaction of certain conditions, including the existence of a public market for the shares, the availability of certain current public information about AspenTech, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being effected through a "broker's transaction" or in transactions directly with a "market maker" (as provided by Rule 144(f) under the Securities Act) and the number of shares being sold during any three-month period not exceeding specified limitations.

(d) Without in any way limiting the representations set forth above, the Principal Stockholder further agrees not to make any disposition of all or any portion of the shares of AspenTech Common received by the Principal Stockholder as a result of the Merger will unless and until:

(i) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii) the Principal Stockholder (A) has notified AspenTech of the proposed disposition and has furnished AspenTech with a reasonably detailed statement of the circumstances surrounding the proposed disposition and (B) if requested by AspenTech, has furnished AspenTech with an opinion of counsel, reasonably satisfactory to AspenTech, that such disposition will not require registration under the Securities Act.

(e) It is understood that each certificate representing shares of AspenTech Common received by the Stockholders as a result of the Merger will bear a legend substantially to the following effect (in addition to any legend required under applicable state securities or blue sky laws):

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED."

4.2. EXECUTION; NO VIOLATIONS.

(a) This Agreement has been duly executed and delivered by the Principal Stockholder, constitutes a valid and binding obligation of the Principal Stockholder, and is enforceable against the Principal Stockholder in accordance with its terms, all as may be subject to or affected by the Creditor Exception. As of the Closing Date, the Principal Stockholder's Employment Agreement and Non-Competition Agreement will be duly and validly executed and delivered by the Principal Stockholder and will constitute valid and binding obligation of the Principal Stockholder enforceable in accordance with their respective terms, all as may be subject to or affected by the Creditor Exception.

(b) The execution, delivery and performance of this Agreement by the Principal Stockholder do not and will not result in any Violation of any provision of (i) any note, agreement, contract, license, instrument, mortgage, lease or other obligation by which the Principal Stockholder is bound, (iii) any judgment, order, decree, ruling or injunction applicable to the Principal Stockholder or (iv) any statute, law, regulation or rule of any Government Entity applicable to the Principal Stockholder.

(c) No consent, approval, order or authorization of, or registration, declaration or filing with any Government Entity is required by or with respect to the Principal Stockholder in connection with the execution, delivery and performance of this Agreement by the Principal Stockholder, except for the filing of a notification under the HSR Act and such other consents, authorizations, filings, approvals and registrations that if not obtained or made would not have a material adverse effect on the transactions contemplated by this Agreement.

5. REPRESENTATIONS AND WARRANTIES OF ASPENTECH AND ACQUISITION CORP.

AspenTech and Acquisition Corp., jointly and severally, represent and warrant to Chesapeake as follows:

5.1. ORGANIZATION AND QUALIFICATION. Each of AspenTech and Acquisition Corp. is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of AspenTech and Acquisition Corp. is qualified to do business and is in good standing in all other jurisdictions in which such qualification is required, other than those jurisdictions where failure to so qualify would not have an AspenTech MAE. Each of AspenTech and Acquisition Corp. has all requisite corporate power and authority to own its property, to carry on its business as now being conducted, to execute, deliver and perform this Agreement, and to consummate the transactions contemplated by this Agreement.

5.2. CAPITALIZATION.

(a) The authorized capital stock of AspenTech consists of (i) 10,000,000 shares of Preferred Stock, $.10 par value, none of which are issued or outstanding, and (ii) 40,000,000 shares of AspenTech Common, of which 21,728,140 shares were issued and outstanding as of April 24, 1998. All of the outstanding shares of AspenTech Common are, and the shares of AspenTech Common when issued and delivered to the Stockholders in accordance with the Delaware Agreement of Merger will be, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights created by statute, AspenTech's Certificate of Incorporation or By-Laws, or any agreement to which AspenTech is a party or by which it is bound. All outstanding shares of AspenTech Common are approved for quotation on the Nasdaq National Market, and there are no proceedings to revoke or suspend the quotation of AspenTech Common on the Nasdaq National Market.

(b) The authorized capital stock of Acquisition Corp. consists of 1,000 shares of common stock, $.001 par value, all of which are outstanding and held of record by AspenTech.

5.3. AUTHORITY; NO VIOLATIONS

(a) The execution, delivery and performance of this Agreement and all agreements and instruments to be entered into or delivered by AspenTech in connection with the transactions contemplated hereby (including the Escrow Agreement, the Non-Competition Agreements and the Registration Rights Declaration) have been duly and validly authorized by all requisite corporate action on the part of AspenTech. This Agreement has been duly executed and delivered by AspenTech, constitutes a valid and binding obligation of AspenTech, and is enforceable against AspenTech in accordance with its terms, all as may be subject to or affected by the Creditor Exception. As of the Closing Date, the Escrow Agreement and each of the Non-Competition Agreements will be duly and validly executed and delivered by AspenTech, the Registration Rights Declaration will be duly and validly adopted by the board of directors of AspenTech, and each of the Escrow Agreement, the Non-Competition Agreement and the Registration Rights Declaration will constitute a valid and binding obligation of AspenTech enforceable against AspenTech in accordance with its terms, all as may be subject to or affected by the Creditor Exception.

(b) The execution, delivery and performance of this Agreement and all agreements and instruments to be entered into or delivered by Acquisition Corp. in connection with the transactions contemplated hereby (including the Delaware Agreement of Merger and the New Jersey Certificate of Merger) have been duly and validly authorized by all requisite corporate action on the part of Acquisition Corp. This Agreement has been duly executed and delivered by Acquisition Corp., constitutes a valid and binding obligation of Acquisition Corp., and is enforceable against Acquisition Corp. in accordance with its terms, all as may be subject to or affected by the Creditor Exception. As of the Closing Date, each of the Delaware Agreement of Merger and the New Jersey Certificate of Merger will be duly and validly executed and delivered by Chesapeake and will constitute a valid and binding obligation of Acquisition Corp. enforceable in accordance with its terms, all as may be subject to or affected by the Creditor Exception.

(c) The execution, delivery and performance of this Agreement by AspenTech do not and will not result in any Violation of any provision of (i) the Certificate of Incorporation or By-Laws of AspenTech, (ii) any Commitment by which AspenTech is bound, (iii) any judgment, order, decree, ruling or injunction applicable to AspenTech or the AspenTech Common or (iv) any statute, law, regulation or rule of any Government Entity applicable to AspenTech or the AspenTech Common, except to the extent that a consent or waiver to any such Violation has been obtained as of the date hereof or is obtained prior to the Closing.

(d) The execution, delivery and performance of this Agreement by Acquisition Corp. do not and will not result in any Violation of any provision of (i) the Certificate of Incorporation or By-Laws of Acquisition Corp., (ii) any Commitment by which Acquisition Corp. is bound, (iii) any judgment, order, decree, ruling or injunction applicable to Acquisition Corp. or (iv) any statute, law, regulation or rule of any Government Entity applicable to Acquisition Corp., except to the extent that a consent or waiver to any such Violation has been obtained as of the date hereof or is obtained prior to the Closing.

(e) No consent, approval, order or authorization of, or registration, declaration or filing with, any Government Entity is required by or with respect to AspenTech or Acquisition Corp. in connection with the execution, delivery and performance of this Agreement by AspenTech and Acquisition Corp., except for the filing of a notification under the HSR Act, the filing of the Delaware Agreement of Merger with the Secretary of State of the State of Delaware, the filing of the New Jersey Certificate of Merger with the Secretary of State of the State of New Jersey, such filings under the Securities Act or applicable state securities or blue sky laws as may be necessary or desirable in connection with the issuance of shares of AspenTech Common in the Merger or with the transactions contemplated by the Registration Rights Declaration, the filing of a current report on Form 8-K with the Securities and Exchange Commission in accordance with the Exchange Act, and such other consents, authorizations, filings, approvals and registrations that if not obtained or made would not have a material adverse effect on the transactions contemplated by this Agreement.

5.4. SEC DOCUMENTS. AspenTech has furnished to Chesapeake and the Principal Stockholder complete and correct copies of AspenTech's proxy statement dated November 25, 1997, annual report on Form 10-K for the fiscal year ended June 30, 1997 and quarterly reports on Form 10-Q for the quarters ended September 30, 1997 and December 31, 1997, and will furnish, promptly after filing and in any event before the Closing Date, complete and correct copies of any other statement, report, registration statement or definitive proxy statement filed by AspenTech with the Securities and Exchange Commission from the date hereof to the Closing Date. Such proxy statement, annual report and quarterly reports and any such other filings are collectively referred to herein as the "SEC Documents." As of their respective filing dates, the SEC Documents complied or will comply in all material respects with the requirements of the Exchange Act or the Securities Act (as the case may be) and none of the SEC Documents contained or will contain any untrue statement of a material fact or will omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, as of their respective filing dates, except to the extent corrected by a subsequently filed SEC Document.

5.5. FINANCIAL STATEMENTS. The audited and unaudited consolidated balance sheets and consolidated statements of income, stockholders' equity and cash flows included in the SEC Documents have been or will be (as the case may be) prepared in accordance with generally accepted accounting principles, applied on a consistent basis for the periods involved (except that the unaudited statements do not or may not contain all the notes that may be required by generally accepted accounting principles and are or may be subject to normal and recurring year-end adjustments that are not expected to be material in amount), and fairly present in all material respects the consolidated financial position of AspenTech and its consolidated subsidiaries as of the respective dates thereof and its results of operations and cash flows for the periods then ended.

5.6. LITIGATION. No judgment has been entered by, and no claim, dispute, action, suit, appeal, legal, administrative or arbitral proceeding, or investigation, at law or in equity, is pending or, to the knowledge of AspenTech or Acquisition Corp., threatened that materially and adversely affects, or could materially and adversely affect, the ability of AspenTech or Acquisition Corp. to perform under this Agreement.

5.7. FINDER'S FEES. Neither AspenTech nor Acquisition Corp. has incurred any liability, contingent or otherwise, for brokerage fees, finder's fees, agent's commissions, financial advisory fees or other similar forms of compensation in connection with this Agreement or any of the transactions contemplated hereby, other than to NationsBanc Montgomery Securities.

6. COVENANTS OF CHESAPEAKE AND THE PRINCIPAL STOCKHOLDER AS TO CONDUCT OF BUSINESS.

From and after the date of this Agreement and until the Closing Date, each of Chesapeake and the Principal Stockholder covenants and agrees with AspenTech and Acquisition Corp. that, except as specifically contemplated by this Agreement or as consented to by AspenTech and Acquisition Corp. in writing:

6.1. OPERATION OF BUSINESS. Chesapeake shall conduct its business and maintain its assets and properties diligently and in substantially the same manner as prior to the date of this Agreement. Chesapeake shall not: (a) incur any obligation or liability other than in the ordinary course of business consistent with past practice; (b) mortgage, pledge, subject to any lien or encumbrance, sell, transfer or assign any of its assets or properties other than in the ordinary course of business consistent with past practice; (c) enter into any contracts, agreements, leases or understandings other than in the ordinary course of business consistent with past practice; (d) modify, amend or terminate any material Commitments; (e) waive any rights of material value; or (f) otherwise materially change the normal conduct of its business.

6.2. CAPITAL STRUCTURE. Chesapeake shall not: (a) declare or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any shares of Chesapeake Common; (b) issue, deliver or sell, or authorize the issuance, delivery or sale of, any shares of capital stock of any class, any voting debt or any options, warrants, calls, rights or agreements that obligate Chesapeake to issue, deliver or sell additional shares of Chesapeake Common or voting debt or to grant, extend or enter into any option, warrant, call, right or agreement, other than any issuance of shares of Chesapeake Common pursuant to the Faccenda Agreement; (c) split, combine or reclassify any of the Chesapeake Common; or (d) purchase, redeem or otherwise acquire, directly or indirectly, any Chesapeake Common.

6.3. NOTIFICATION OF CHANGES. Chesapeake shall promptly advise AspenTech in writing of any material change in the condition of its assets, properties or business, whether arising from matters occurring in the ordinary course of business or otherwise.

6.4. EXCLUSIVITY. Chesapeake and the Principal Stockholder shall not, directly or indirectly, through any officer, director or agent or otherwise: (a) solicit, initiate or encourage any acquisition proposal or offers from any Person relating to the purchase of all or a material portion of the capital stock or assets of Chesapeake; (b) discuss any acquisition proposals relating to Chesapeake either from parties who have already expressed an interest in Chesapeake or from any other unsolicited outside sources; or (c) disclose (other than to AspenTech) any material unpublished information concerning Chesapeake. Chesapeake and the Principal Stockholder shall promptly notify AspenTech if any such proposal or offer, or any inquiry or contact with any Person with respect thereto, is made.

6.5. INVESTMENTS AND ACQUISITIONS. Chesapeake shall not (a) acquire any equity interest or investment in any Person, (b) merge or consolidate with any other Person, or (c) enter into any partnership, joint venture, voluntary association, cooperative or business trust agreement or arrangement.

6.6. INDEBTEDNESS. Chesapeake shall not, and shall not propose to, incur any Indebtedness for borrowed money, incur any other Indebtedness except in the ordinary course of business consistent with past practice, or guarantee any Indebtedness of others. Chesapeake shall not pay, discharge or satisfy, in an amount in excess of $50,000 (in the aggregate), any claims, liabilities or obligations reflected or reserved against in the unaudited balance sheet of Chesapeake at March 31, 1998, except in the ordinary course of business consistent with past practice.

6.7. LITIGATION. Chesapeake shall not commence any litigation without the prior written consent of AspenTech, except that Chesapeake may take such action if a delay would result in an irreparable material injury or loss to it.

6.8. COMMITMENTS. Chesapeake shall not: (a) enter into any Commitment or engage in any transaction not in the ordinary course of business consistent with past practice; (b) amend or otherwise modify any Commitment except in the ordinary course of business consistent with past practice; or (c) do or omit to do any act or permit any act or omission to act, which act or omission will result in a Violation of any provision of any Commitment of Chesapeake.

6.9. TAXES. Chesapeake shall not make or change any material election in respect of Taxes, adopt or change any accounting method in respect of Taxes, enter into any closing agreement, consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes, or settle any claim or assessment in respect of Taxes, except for any such settlement that is entered into in connection with the currently pending audit of the Internal Revenue Service and that is consented to in writing by AspenTech (which consent shall not be unreasonably withheld).

6.10. EMPLOYEE PLANS. Chesapeake shall not adopt any new Employee Plan or amend any Employee Plan in any material respect.

6.11. EMPLOYEE MATTERS. Chesapeake shall not (a) adopt any collective bargaining agreement, (b) grant any severance or termination pay to any director, officer or other employee of Chesapeake except in accordance with existing agreements and policies disclosed in the Chesapeake Disclosure Statement, (c) grant any general or uniform increase in the rates of pay of employees of Chesapeake or in the benefits under any bonus plan or other compensation arrangements or (d) increase the compensation payable or to become payable to any officer or key salaried employee.

6.12. COMPLIANCE WITH APPLICABLE LAWS. Chesapeake shall comply in all respects with all applicable laws, ordinances and regulations and all applicable orders, judgments, injunctions, awards and decrees of Government Entities, except where any failure, individually or in the aggregate with any other such failures, would not have a Chesapeake MAE.

7. ADDITIONAL COVENANTS.

7.1. ACCESS TO INFORMATION. Chesapeake shall afford to AspenTech, and shall cause its independent accountants to afford to AspenTech and AspenTech's accountants, counsel and other representatives, reasonable access during normal business hours during the period prior to the Closing to all of Chesapeake's assets, properties, books, Commitments and records. Chesapeake and the Principal Stockholder shall permit AspenTech and its representatives to make abstracts from and copies of such books and records. During such period, Chesapeake shall use its reasonable best efforts to furnish promptly to AspenTech all other information concerning the business, properties and personnel of Chesapeake as AspenTech may reasonably request. Chesapeake shall use its reasonable best efforts to cause its management and independent auditors to facilitate on a timely basis (a) the preparation of financial statements (including pro forma financial statements if required) as required by AspenTech to comply with applicable regulations of the Securities and Exchange Commission and (b) the review of any Chesapeake review work papers for any of the past three fiscal years or any portion of the current fiscal year, including the examination of selected interim financial statements and data.

7.2. CONFIDENTIALITY.

(a) For purposes of this Section 7.2, a "party" shall refer to (i) together, Chesapeake (prior to the Closing Date) and the Principal Stockholder and (ii) together, AspenTech and Acquisition Corp. Each party shall treat as confidential, and shall cause its accountants, counsel and other representatives to treat as confidential, all documents and information concerning the other party furnished by the other party to such party (including documents and information furnished prior to the date hereof) in connection with the transactions contemplated by this Agreement, except to the extent that such any such document or information: (i) at the time of its disclosure to the receiving party by or on behalf of the disclosing party is already known or available to the receiving party, provided that the receiving party is not subject to similar restrictions of confidentiality as set forth herein with a third party with respect to such information; (ii) is or becomes known or available to the public other than as a result of an unauthorized disclosure by the receiving party or its directors, officers, employees, agents or representatives; (iii) is or becomes known or available to the receiving party without similar restrictions of confidentiality as set forth herein from a source other than the disclosing party, provided that such source is not known by the receiving party, after reasonable inquiry, to be bound by a confidentiality agreement with, or other obligation of secrecy to, the disclosing party that would prohibit such disclosures to the receiving party by such other party; (iv) is independently generated by the receiving party and not derived from confidential information; or (v) is required to be disclosed by the receiving party by any law, regulation, court order or other legal requirement, provided that the recipient takes reasonable steps to limit such disclosure to the extent permissible under law. Subject to the foregoing, each party shall not release or disclose such information or documents to any Person other than its representatives in connection with this Agreement and shall not use such information for purposes other than as contemplated by this Agreement. In the event of the termination of this Agreement, each party hereto shall, and shall cause its representatives to, deliver to the other party the originals of all documents obtained by such party or on behalf of such party from the other party in connection with this Agreement, whether so obtained before or after the execution hereof, and such party shall, and shall cause its representatives to, destroy all abstracts therefrom and copies thereof.

(b) Except for a press release issued pursuant to Section 7.3 or a filing made by AspenTech with the Securities and Exchange Commission pursuant to the Securities Act or the Exchange Act, no party shall disclose to any Person (other than the party's representatives) any information regarding the transactions contemplated by this Agreement, including the existence and terms of this Agreement. Notwithstanding the foregoing, after such a press release or filing, (i) either party may disclose to its employees, its clients and others information regarding the transactions contemplated by this Agreement, but only to the extent (A) such information is set forth in such press release or filing or (B) such information relates to the proposed operations of the Surviving Corporation after the Closing and disclosure thereof to such parties has been generally agreed upon in advance by AspenTech and Chesapeake and (ii) Chesapeake and the Principal Stockholder may disclose to the other Stockholders and to ESOP participants such additional information regarding the transactions contemplated by this Agreement as they may deem necessary or desirable to effect such transactions, provided that they take reasonable steps to ensure that such other Stockholders maintain the confidentiality of such additional information. Prior to the earlier of (i) the time that this Agreement is disclosed in a current report on Form 8-K filed by AspenTech after the Closing and (ii) two full business days after the time that this Agreement is terminated, the Principal Stockholder shall not, directly or indirectly, buy, sell or otherwise trade in any shares of AspenTech Common or advise any other Person as to any trading of AspenTech Common.

(c) The agreements contained in this Section 7.2 shall survive any termination of this Agreement and remain in effect for a period of five years from the date hereof.

7.3. PUBLIC DISCLOSURE. Subject to the obligations of the parties to comply with applicable laws (including state corporate laws and federal and state securities laws) and the obligation of AspenTech to comply with the rules and regulations of the Nasdaq Stock Market, Inc., any press release or other public disclosure of information regarding the transactions contemplated by this Agreement (including the existence and terms of this Agreement) shall be approved by AspenTech and Chesapeake, which approval shall not be unreasonably withheld.

7.4. POOLING ACCOUNTING. No party to this Agreement shall knowingly take any action, directly or indirectly, that would cause the Merger to fail to qualify as a pooling of interests, including taking any action that would alter the equity interests of Chesapeake in a way that would prohibit pooling of interests treatment for the Merger. AspenTech shall use its reasonable best efforts to publish financial results reflecting the first thirty days of combined operations of AspenTech and the Surviving Corporation (i) by August 11, 1998, if the Closing occurs by May 31, 1998, or (ii) by October 27, 1998, if the Closing occurs after May 31, 1998 but before September 1, 1998.

7.5. CONSENTS; FURTHER ASSURANCES. The parties shall use their reasonable best efforts to obtain any consent, authorization, order or approval of, or any exemption by, any Government Entity, or other third party, required to be obtained or made by such party in connection with the taking of any action contemplated by this Agreement (including, with respect to Chesapeake, the consents and approvals required from third parties relating to Commitments listed under Section 3.3(c) of the Chesapeake Disclosure Schedule), provided that AspenTech shall not be required to agree to any divestiture by AspenTech, Chesapeake or any of AspenTech's subsidiaries of shares of capital stock or of any business, assets or properties of AspenTech, Chesapeake or any of AspenTech's subsidiaries or the imposition of any material limitation on the ability of any of them to conduct their businesses or to own or exercise control of such stock, assets or properties. Each party shall use its reasonable best efforts to ensure that its representations and warranties herein remain true in all material respects and to obtain the satisfaction of the conditions specified in Section 8 of this Agreement and the consummation of the transactions contemplated hereby. AspenTech or Acquisition Corp. shall give prompt notice to Chesapeake and the Principal Stockholder, and Chesapeake or the Principal Stockholder shall give prompt notice to AspenTech and Acquisition Corp., of (a) the occurrence or non-occurrence of any event that is likely to cause any representation or warranty of such notifying party contained in this Agreement to be untrue at or prior to the Closing Date and (b) any failure of such notifying party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; the delivery of any notice pursuant to this sentence shall not limit or otherwise affect any remedies available to the parties receiving notice. At any time and from time to time after the Closing, the parties agree to cooperate with each other to execute and deliver such other documents, instruments or transfer or assignment, files, books and records, and to do all such further acts and things, as may be reasonably required to carry out the transactions contemplated hereby.

7.6. UPDATES OF CHESAPEAKE DISCLOSURE SCHEDULE. Chesapeake may, from time to time after the date hereof but not later than three business days before the Closing Date, prepare and deliver to AspenTech updates to the Chesapeake Disclosure Schedule disclosing any changes thereto required in respect of matters not known to Chesapeake on or prior to the date hereof. In the event the Closing does not occur, the initial Chesapeake Disclosure Schedule shall constitute the Chesapeake Disclosure Schedule to be used in determining any inaccuracy in, or breach of, any representations or warranties of Chesapeake hereunder. In the event the Closing occurs, the final version of the Chesapeake Disclosure Schedule as of the Closing Date shall supersede the initial Chesapeake Disclosure Schedule and shall constitute the definitive Chesapeake Disclosure Schedule for all purposes of this Agreement.

7.7. ANTITRUST LAWS. As promptly as practicable, to the extent required under applicable laws, Chesapeake, the Principal Stockholder, AspenTech and Acquisition Corp. shall make all such filings and submissions under the HSR Act as may be reasonably required to be made in connection with this Agreement and the transactions contemplated hereby. Chesapeake and the Principal Stockholder shall furnish to AspenTech and Acquisition Corp., and AspenTech and Acquisition Corp. shall furnish to Chesapeake and the Principal Stockholder, such information and assistance as the others may reasonably request in connection with the preparation of any such filings and submissions. Chesapeake and the Principal Stockholder shall provide AspenTech and Acquisition Corp., and AspenTech and Acquisition Corp. shall provide Chesapeake and the Principal Stockholder, with copies of all correspondence, filings or communications (or memoranda setting forth the substance thereof) between such party or any of its representatives, on the one hand, and any Government Entity or members of their respective staffs, on the other hand, with respect to this Agreement and the transactions contemplated hereby, except to the extent that AspenTech or Chesapeake is advised by counsel that the provision of such information would be inadvisable under applicable antitrust laws.

7.8. STOCK OPTIONS. On or prior to August 31, 1998, AspenTech shall grant under, at AspenTech's sole determination, either or both of the Aspen Technology, Inc. 1996 Special Stock Option Plan or the Aspen Technology, Inc. 1995 Stock Option Plan, to each of the Persons named in EXHIBIT L an incentive stock option to purchase the number of shares of AspenTech Common set forth opposite the name of such Person in EXHIBIT L, provided that such Person is an employee of the Surviving Corporation as of the date of grant.

7.9. EXPENSES. If the Merger is not consummated, each party shall be and remain responsible for its costs and expenses, including fees and disbursements of consultants, investment bankers and other financial advisors, counsel and accountants, and the costs incurred in seeking necessary consents, in connection with the acquisition of Chesapeake by AspenTech. In the event the Merger is completed, (a) AspenTech and Acquisition Corp. shall be and remain responsible for their costs and expenses and (b) the Stockholders shall be and remain responsible for their costs and expenses and further shall be responsible for the Offset Expenses. The obligations of the Stockholders to pay the Offset Expenses shall be deemed to be paid by decreasing the Number of Merger Shares as contemplated in Section 2.4. A true and complete listing of the Offset Expenses shall be set forth in a certificate delivered to AspenTech by Chesapeake no later than two business days before the Closing Date.

7.10. TAX MATTERS. The parties shall not, before or after the Effective Time, purposefully take any action or fail to take any action that would prevent, or would be reasonably likely to prevent, the Merger from qualifying as a reorganization within the meaning of Code section 368(a). Each of the Stockholders and each participant in the ESOP shall pay all Taxes relating to any resale of shares of AspenTech Common Shares acquired as a result of the Merger.

7.11. EMPLOYMENT AND NON-COMPETITION AGREEMENTS. Chesapeake and the Principal Stockholder shall use their reasonable best efforts to cause the specified employees to enter into the Employment Agreements and the Non-Competition Agreements as of the Closing Date.

7.12. SECURITIES AND CORPORATE STATUTES. AspenTech shall use its reasonable best efforts to comply with the securities and blue sky laws of all jurisdictions of the United States that are applicable in connection with the Merger. Chesapeake and the Principal Stockholder shall use its reasonable best efforts to assist AspenTech as may be necessary to comply with such laws. During the two-year period following the Closing Date, AspenTech shall use its reasonable best efforts to make current public information available in accordance with Rule 144(c) under the Securities Act. If any state takeover law shall become applicable to the transactions contemplated by this Agreement, AspenTech and its board of directors or Chesapeake and its board of directors, as the case may be, shall use its reasonable best efforts to obtain such approvals and take such actions as are necessary so that the transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise to minimize the effects of such state takeover law on the transactions contemplated by this Agreement.

7.13. NASDAQ RULES. AspenTech shall comply in all material respects with all rules and regulations of the Nasdaq Stock Market, Inc. applicable to it in connection with the Merger.

7.14. RECORDS.

(a) At the Closing, the Stockholders shall deliver to AspenTech all books, records and other documents in their possession relating to Chesapeake.

(b) From the Closing Date until the later of (i) the first anniversary of the Closing Date and (ii) the date on which all indemnification claims under Section 9 have been resolved, AspenTech and the Surviving Corporation shall retain all books, records and other documents relating to the business of Chesapeake and in existence on the Closing Date and shall make the same available during normal business hours for inspection and copying by the Stockholders, at the Stockholders' expense, upon reasonable request and upon reasonable advance notice. No such books, records or other documents shall be destroyed by AspenTech or the Surviving Corporation without first advising the Stockholders in writing and giving the Stockholders a reasonable opportunity to obtain possession thereof. Without limiting the generality of the foregoing, AspenTech and the Surviving Corporation shall make available to the Stockholders and their representatives all information reasonably deemed necessary or desirable by the Stockholders in preparing their respective financial statements and tax returns and in complying with any audits in connection therewith.

7.15. AMENDMENT OF REGISTRATION RIGHTS DECLARATION. AspenTech shall not modify or amend the Registration Rights Declaration after the Closing Date except with the requisite consent of Holders (as defined therein) as provided in section 1.8 thereof.

8. CONDITIONS PRECEDENT.

8.1. CONDITIONS TO EACH PARTY'S OBLIGATIONS. The obligations of AspenTech, Acquisition Corp., Chesapeake and the Principal Stockholder to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or before the Closing, of the following conditions precedent:

(a) SEC DOCUMENTS. The SEC Documents shall not have contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, as of their respective filing dates, except to the extent corrected by a subsequently filed SEC Document.

(b) CONSENTS OF THIRD PARTIES. There shall have been obtained consents or approvals required from third parties relating to (i) Commitments listed under Section 3.3(c) of the Chesapeake Disclosure Schedule and marked with an asterisk and (ii) contracts, agreements, licenses, leases and other instruments to which AspenTech is a party or by which it is bound, to the extent that such contracts, agreements, licenses, leases and other instruments are material to the business of AspenTech.

(c) STATUTES. No statute, rule or regulation shall have been enacted by any Government Entity that (i) makes the consummation of the transactions contemplated by this Agreement illegal, (ii) prohibits AspenTech's ownership or operation of all or a material portion of the business, assets or properties of Chesapeake, or compels AspenTech to dispose of or hold separate all or a material portion of the business, assets or properties of Chesapeake, as a result of the transaction contemplated by this Agreement, or (iii) renders AspenTech or Chesapeake unable to consummate the transactions contemplated by this Agreement.

(d) ADVERSE PROCEEDINGS. No action or proceeding by or before any court or other governmental body shall have been instituted or threatened by any Government Entity or Person that (i) shall seek to restrain, prohibit or invalidate the transactions contemplated by this Agreement, (ii) might affect the Merger or any of the other transactions contemplated hereby or (iii) shall seek to prohibit AspenTech's ownership or operation of all or a material portion of the business, assets or properties of Chesapeake.

(e) SECURITIES LAW COMPLIANCE. The issuance of AspenTech Common in the Merger shall be exempt from registration under the Securities Act and shall have been qualified or shall be exempt under all applicable state securities and blue sky laws.

(f) HSR COMPLIANCE. Any applicable waiting period under the HSR Act shall have expired or been terminated.

(g) ACCOUNTANT'S LETTER. AspenTech shall have received from Arthur Andersen LLP, AspenTech's independent accountants, an letter regarding such firm's concurrence with the conclusion of AspenTech's management that pooling of interests accounting for the Merger is appropriate under Accounting Principles Board Opinion No. 16 if consummated in accordance with this Agreement.

8.2. ADDITIONAL CONDITIONS TO OBLIGATIONS OF ASPENTECH AND ACQUISITION CORP. The obligations of AspenTech and Acquisition Corp. to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or before the Closing, of the following conditions precedent:

(a) REPRESENTATIONS, WARRANTIES AND COVENANTS. The representations and warranties of Chesapeake and the Principal Stockholder contained in this Agreement shall have been true in all material respects as of the date of this Agreement and shall be true in all material respects at and as of the Closing Date as though such representations and warranties were made on and as of such date, except for any changes permitted by the terms of this Agreement. Each of Chesapeake and the Principal Stockholder shall have performed and complied in all material respects with all terms, conditions, obligations, agreements and restrictions required by this Agreement to be performed or complied with by it prior to or at the Closing. Since March 31, 1998, there shall have been no changes that, in the aggregate, have had or could reasonably be expected to have a Chesapeake MAE, and the Closing, itself, shall not cause any default under any material Commitment to which Chesapeake is a party or otherwise have a Chesapeake MAE. AspenTech shall have received a certificate signed by the chief executive officer and chief financial officer of Chesapeake confirming the preceding three sentences.

(b) FINAL CHESAPEAKE DISCLOSURE SCHEDULE. The updates, if any, to the Chesapeake Disclosure Schedule pursuant to Section 7.6 shall be reasonably satisfactory in form and substance to AspenTech.

(c) MERGER DOCUMENTS. Chesapeake shall have executed the Delaware Agreement of Merger and the New Jersey Certificate of Merger.

(d) EMPLOYMENT AGREEMENTS. Chesapeake and the respective employees party thereto shall have entered into the Employment Agreements.

(e) NON-COMPETITION AGREEMENTS. Chesapeake and the respective employees party thereto shall have entered into the Non-Competition Agreements.

(f) ESCROW AGREEMENT. The Principal Stockholder and the Escrow Agent shall have entered into the Escrow Agreement.

(g) FAIRNESS OPINION. AspenTech shall have received a written opinion from NationsBanc Montgomery Securities (or any successor thereto) to the effect that the transactions contemplated by this Agreement are fair to the stockholders of AspenTech from a financial point of view.

(h) OPINIONS OF COUNSEL FOR CHESAPEAKE AND THE PRINCIPAL STOCKHOLDER. AspenTech shall have received opinions dated as of the Closing Date of Skadden, Arps, Slate, Meagher & Flom LLP, special counsel for Chesapeake and the Principal Stockholder, and Bourne, Noll & Kenyon, general counsel for Chesapeake and the Principal Stockholder, each in a form reasonably satisfactory to AspenTech.

(i) TAX OPINION OF COUNSEL FOR ASPENTECH. AspenTech shall have received an opinion dated as of the Closing Date of Foley, Hoag & Eliot LLP (or, if such counsel fails to deliver the opinion, of

Bourne, Noll & Kenyon) to the effect that the Merger will constitute a reorganization within the meaning of Code section 368(a).

(j) FIRPTA COMPLIANCE. Chesapeake shall deliver to AspenTech a properly executed statement, in a form reasonably acceptable to AspenTech, for purposes of satisfying AspenTech's obligations under Treasury Regulation section 1.1445-2(c)(3).

(k) DISSENTERS' RIGHTS. Either (i) none of the Stockholders shall have any right to exercise dissenters', appraisal or similar rights under the New Jersey Business Corporation Act by virtue of the Merger or (ii) Stockholders owning less than five percent of the shares of Chesapeake Common outstanding immediately prior to the Closing shall have exercised, or shall have a continuing right to exercise, such dissenters', appraisal or similar rights.

(l) REPAYMENT OF INSIDER LOANS. All loans payable to Chesapeake from any of its officers, directors or employees shall have been repaid in full.

(m) PROCEEDINGS AND DOCUMENTS SATISFACTORY. All proceedings in connection with the transactions contemplated by this Agreement, and all certificates and documents delivered to AspenTech and Acquisition Corp. pursuant to this Section 8.2 or otherwise reasonably requested by AspenTech or Acquisition Corp., shall be reasonably satisfactory to AspenTech, Acquisition Corp. and their counsel.

8.3. ADDITIONAL CONDITIONS TO OBLIGATIONS OF CHESAPEAKE AND THE PRINCIPAL STOCKHOLDER. The obligations of Chesapeake and the Principal Stockholder to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or before the Closing, of the following conditions precedent:

(a) REPRESENTATIONS, WARRANTIES AND COVENANTS. The representations and warranties of AspenTech and Acquisition Corp. contained in this Agreement shall have been true in all material respects as of the date of this Agreement and shall be true in all material respects at and as of the Closing Date as though such representations and warranties were made on and as of such date, except for any changes permitted by the terms of this Agreement. Each of AspenTech and Acquisition Corp. shall have performed and complied in all material respects with all terms, conditions, obligations, agreements and restrictions required by this Agreement to be performed or complied with by it prior to or at the Closing. Since March 31, 1998, there shall have been no changes that, in the aggregate, have had or could reasonably be expected to have an AspenTech MAE, and the Closing, itself, shall not cause any default under any material Commitment to which AspenTech is a party or otherwise have an AspenTech MAE. Chesapeake and the Principal Stockholder shall have received a certificate signed by the chief executive officer and chief financial officer of AspenTech confirming the preceding three sentences.

(b) MERGER DOCUMENTS. Acquisition Corp. shall have executed the Delaware Agreement of Merger and the New Jersey Certificate of Merger.

(c) REGISTRATION RIGHTS DECLARATION. The Registration Rights Declaration shall have been adopted by the board of directors of AspenTech and shall be in full force and effect as of the Closing Date.

(d) NON-COMPETITION AGREEMENTS. AspenTech shall have entered into each of the Non-Competition Agreements.

(e) ESCROW AGREEMENT. AspenTech shall have entered into the Escrow Agreement.

(f) FAIRNESS OPINION. Chesapeake shall have received a written opinion from Donaldson, Lufkin & Jenrette Securities Corporation to the effect that the transactions contemplated by this Agreement are fair to the Stockholders from a financial point of view.

(g) OPINION OF COUNSEL FOR ASPENTECH. Chesapeake and the Principal Stockholder shall have received an opinion dated as of the Closing Date of Foley, Hoag & Eliot LLP, special counsel for AspenTech, in a form reasonably satisfactory to Chesapeake and the Principal Stockholder.

(h) TAX OPINION OF COUNSEL FOR CHESAPEAKE. Chesapeake shall have received an opinion dated as of the Closing Date of Bourne, Noll & Kenyon (or, if such counsel fails to deliver the opinion, of Foley, Hoag & Eliot LLP) to the effect that the Merger will constitute a reorganization within the meaning of Code section 368(a).

(i) PROCEEDINGS AND DOCUMENTS SATISFACTORY. All proceedings in connection with the transactions contemplated by this Agreement, and all certificates and documents delivered to Chesapeake and the Principal Stockholder pursuant to this Section 8.3 or otherwise reasonably requested by Chesapeake or the Principal Stockholder, shall be reasonably satisfactory to Chesapeake, the Principal Stockholder and their counsel.

9. INDEMNIFICATION.

9.1. AGREEMENT TO INDEMNIFY. Following the Closing and subject to the limitations set forth herein, (a) all of the Stockholders collectively and the Principal Stockholder individually shall indemnify and agree to defend and hold harmless AspenTech and the Surviving Corporation (and their respective affiliates, officers, directors, employees, representatives and agents) against and in respect of any and all claims, costs, losses, expenses, liabilities or other damages, including interest and penalties (collectively "Damages"), by reason of or otherwise arising out of a breach by Chesapeake or the Principal Stockholder prior to or at the Closing of a representation, warranty or covenant contained in this Agreement and (b) AspenTech shall indemnify and agree to defend and hold harmless the Stockholders (and their respective affiliates, representatives and agents) against and in respect of any and all Damages by reason of or otherwise arising out of a breach by AspenTech or Acquisition Corp. prior to or at the Closing of a representation, warranty or covenant contained in this Agreement. The amounts for which AspenTech, the Surviving Corporation and the Stockholders may seek indemnification under this Section 9 shall extend to, and as used herein the term "Damages" shall include, reasonable attorneys' fees and disbursements, reasonable accountants' fees and disbursements, costs of litigation and other expenses incurred by them (or their respective affiliates, officers, directors or employees) in the defense of any claim asserted against them (or their respective affiliates, officers, directors or employees) and any amounts paid in settlement or compromise of any claim asserted against them to the extent that the claim asserted is or would have been subject to the indemnification provisions hereof, subject to the limitations on indemnification set forth in Sections 9.2 and 9.3. "Damages" shall not include any amount for which reimbursement is received by AspenTech, the Surviving Corporation or the Stockholders, as the case may be, pursuant to insurance policies or third-party payments by virtue of indemnification or subrogation received by such party.

9.2. SURVIVAL OF INDEMNITY. The indemnification obligations of each indemnifying party pursuant to Section 9.1 shall survive the Closing and continue for all Damages as to an indemnified party has given written notice thereof to the indemnifying party on or prior to the first anniversary of the Closing Date. Upon expiration of such period, no indemnifying party shall have any liability for Damages under such indemnification obligations unless it has received written notice from an indemnified party claiming indemnification prior to the expiration of the applicable period as required.

9.3. ADDITIONAL PROVISIONS.

(a) LIMITATIONS ON INDEMNIFIED AMOUNTS OF STOCKHOLDERS. The Stockholders collectively shall not have any obligation to indemnify any parties under this Section 9 until the indemnified parties' aggregate indemnity obligations shall exceed $250,000, whereupon such parties shall be entitled to receive Damages from the first dollar, provided that the foregoing limitation shall not apply to any breach of the covenants of the Stockholders contained in this Agreement to the extent such covenants continue after the Closing Date. The liability of the Stockholders collectively for indemnification under this Section 9 by reason of or arising out of any breach by Chesapeake or the Principal Stockholder of any covenant that does not survive the Closing or of any representation or warranty (i) shall be limited to the setoff and application of Damages against the Escrow Shares in accordance with the terms of the Escrow Agreement and this Section 9 and (ii) shall not be modified, waived or diminished by any examination or investigation conducted by AspenTech of the books, records or operations of Chesapeake.

(b) ADDITIONAL INDEMNIFICATION OBLIGATIONS OF PRINCIPAL STOCKHOLDER. In addition to the Principal Stockholder's pro rata liability for indemnification provided by the Stockholders collectively, the Principal Stockholder individually shall have the additional indemnification obligations set forth in Section 9.1, subject to the limitations of this Section 9.3(b). Except to the extent of his pro rata liability for indemnification provided by the Stockholders collectively, the Principal Stockholder shall have no any obligation to indemnify any parties under this Section 9 until the indemnified parties' aggregate indemnity obligations shall exceed the amount of any indemnification provided by the Stockholders collectively pursuant to Section 9.1, as limited by Section 9.3(a), provided that the foregoing limitation shall not apply to any breach of the covenants of the Principal Stockholder contained in this Agreement to the extent such covenants continue after the Closing Date. The liability of the Principal Stockholder for indemnification under this Section 9 by reason of or arising out of any breach by Chesapeake or the Principal Stockholder of any covenant that does not survive the Closing or of any representation or warranty (i) shall be limited to an aggregate of an amount equal to (A) ten percent of the Number of Merger Shares multiplied by (B) the average of the last sales prices of AspenTech Common on the Nasdaq National Market during the ten trading days immediately preceding the Closing Date and (ii) shall not be modified, waived or diminished by any examination or investigation conducted by AspenTech of the books, records or operations of Chesapeake.

(c) LIMITATIONS ON INDEMNIFIED AMOUNTS OF ASPENTECH. AspenTech shall have no obligation to indemnify any parties under this Section 9 until the indemnified parties' aggregate indemnity obligations shall exceed $250,000, whereupon such parties shall be entitled to receive Damages from the first dollar, provided that the foregoing limitation shall not apply to any breach of the covenants contained in this Agreement to the extent such covenants continue after the Closing Date. The liability of AspenTech for indemnification under this Section 9 by reason of or arising out of any breach by AspenTech or Acquisition Corp. of any covenant that does not survive the Closing or of any representation or warranty (i) shall be limited to an aggregate of an amount equal to (A) twenty percent of the Number of Merger Shares multiplied by (B) the average of the last sales prices of AspenTech Common on the Nasdaq National Market during the ten trading days immediately preceding the Closing Date and (ii) shall not be modified, waived or diminished by any examination or investigation conducted by Chesapeake or any Stockholder of the books, records or operations of AspenTech and Acquisition Corp.

(d) NO LIMITATION IN EVENT OF FRAUD. Notwithstanding any other provision hereof, nothing in this Section 9 (including the provisions of paragraphs (a), (b) and (c) of this Section 9.3) or otherwise shall limit, in any manner, any remedy at law or equity, to which any party may be entitled as a result of fraud by any indemnifying party or its employees, officers or directors.

(e) EXCLUSIVITY OF REMEDY; SURVIVAL OF COVENANTS. Following the Closing Date, except in respect of claims based upon fraud, the indemnification accorded by this Section shall be the sole and exclusive remedy of the parties indemnified under this Section 9 in respect of any misrepresentation or inaccuracy in, or breach of, any representation or warranty or any breach or failure in performance of any covenant or agreement made in this Agreement (including the Chesapeake Disclosure Schedule) or in any document or certificate delivered pursuant hereto. Notwithstanding the foregoing, in the event of any breach or failure in performance after the Closing Date of any covenant or agreement, a non-breaching party shall also be entitled to seek specific performance, injunctive or other equitable relief. The covenants of any party shall terminate according to the terms of such covenant and the expiration of the applicable statutes of limitations.

(f) SUBROGATION. Upon making any payment to an indemnified party for any indemnification claim pursuant to this Section 9, an indemnifying party shall be subrogated, to the extent of such payment, to any rights that the indemnified party may have against any other Persons with respect to the subject matter underlying such indemnification claim and the indemnified party shall take such actions as the indemnifying party may reasonably require to perfect such subrogation or to pursue such rights against such other Persons as the indemnified party may have.

9.4. ESCROW. At the Closing, AspenTech, the Principal Stockholder and the Escrow Agent shall enter into the Escrow Agreement pursuant to which AspenTech shall deliver the Escrow Shares to the Escrow Agent, subject to the requirements of pooling of interests accounting. To the extent any of the parties named in Section 9.1 is entitled to indemnification from the Stockholders collectively under Section 9.1 as a result of any Damages, AspenTech shall be entitled to set off and apply against all of such Damages the Escrow Shares in accordance with the terms of the Escrow Agreement and this Section 9. Pursuant to the terms of the Escrow Agreement, the Escrow Shares shall be valued at any time, for purposes of set off against any Damages, at the average closing sales price per share of the AspenTech Common for the thirty trading days preceding the date on which such valuation is determined, as reported on the Nasdaq National Market or such other principal exchange or trading market on which AspenTech Common is then traded.

10. TERM AND TERMINATION.

10.1. TERM. Subject to the other terms and conditions hereof, the term of this Agreement shall continue until the earlier of (i) June 30, 1998 and (ii) termination pursuant to the provisions of Section 10.2 below.

10.2. TERMINATION. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of Chesapeake and AspenTech;

(b) by Chesapeake if there has been a material breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of AspenTech or Acquisition Corp. and, if such breach is curable, such breach has not been cured within thirty days after written notice of such breach, or by AspenTech if there has been a material breach of any representation, warranty, covenant or agreement contained in this

Agreement on the part of Chesapeake and, if such breach is curable, such breach has not been cured within thirty days after written notice of such breach;

(c) by either Chesapeake or AspenTech if the Closing shall not have been consummated on or before June 30, 1998;

(d) by either Chesapeake or AspenTech if (i) there shall be a final nonappealable order of a federal or state court in effect preventing consummation of the Merger or the other transactions contemplated by this Agreement or (ii) there shall be any action taken, or any statute, rule, regulation or order erected, promulgated or issued or deemed applicable to the Merger or the other transactions contemplated by this Agreement by any Government Entity that would make consummation of the Merger or the other transactions contemplated by this Agreement illegal; or

(e) by AspenTech if there shall be any action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Merger or the other transactions contemplated by this Agreement by any Government Entity that would (i) prohibit AspenTech's or the Surviving Corporation's ownership or operation of all or a material portion of the business, assets or properties of Chesapeake or AspenTech and its subsidiaries taken as a whole, or compel AspenTech or Chesapeake to dispose of or hold separate all or a material portion of the business, assets or properties of Chesapeake or AspenTech, as a result of the Merger or (ii) render AspenTech or Chesapeake unable to consummate the Merger or the other transactions contemplated by this Agreement.

10.3. EFFECT OF TERMINATION AND ABANDONMENT. In the event of termination of this Agreement pursuant to this Section 10, written notice thereof shall be given as promptly as practicable to the other parties to this Agreement and this Agreement shall terminate and the transactions contemplated hereby shall be abandoned without further action by the parties hereto; provided, however, that such termination shall not relieve any party hereto of any liability for any breach of this Agreement occurring prior to the date of termination.

11. MISCELLANEOUS.

11.1. AMENDMENT AND WAIVER. This Agreement, or any provision of this Agreement, may be amended or waived from time to time only upon the mutual written agreement of each of the parties hereto. No delay or omission by any party to exercise any right or power hereunder shall impair such right or power or be construed to be a waiver thereof. A waiver by any of the parties hereto of any of the covenants to be performed by the other or any breach thereof shall not be construed to be a waiver of any subsequent breach or of any other covenant contained in this Agreement.

11.2. NOTICES. Notices and other communications by a party under this Agreement shall be in writing and hand-delivered, deposited with an overnight carrier for next- or second-day delivery, or transmitted by facsimile (with receipt confirmed), addressed to the parties as follows (or to such other addresses as any party may designate from time to time in writing):

To AspenTech: Aspen Technology, Inc.
Ten Canal Park
Cambridge, Massachusetts 02141-2201
Facsimile: (617) 949-1722
Attention: Chairman and Chief Executive Officer

with a copy to: Aspen Technology, Inc.
Ten Canal Park
Cambridge, Massachusetts 02141-2201
Facsimile: (617) 949-1717
Attention: Vice President and General Counsel

To Chesapeake or any Stockholder (including the Principal Stockholder):

Chesapeake Decision Sciences, Inc.
200 South Street
New Providence, New Jersey 07974
Facsimile: (908) 464-4134
Attention: Thomas E. Baker

With copies to: J. Gregory Milmoe, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022-3897
Facsimile: (212) 735-2000

John F. Kuntz, Esq.
Bourne, Noll & Kenyon
382 Springfield Avenue
Summit, New Jersey 07901
Facsimile: (908) 277-6808

and shall be deemed given when received.

11.3. SUCCESSORS; THIRD PARTIES; ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. This Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder, except as otherwise expressly provided herein. No provisions of this Agreement are intended, nor shall be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in any client, customer, affiliate, stockholder, partner or employee of any party hereto or any other Person unless specifically provided otherwise herein, and, except as so provided, all provisions hereof shall be personal solely between the parties to this Agreement. Neither Chesapeake nor the Principal Stockholder may assign its obligations under this Agreement without the prior written consent of AspenTech, and neither AspenTech nor Acquisition Corp. may assign its obligations under this Agreement without the prior written consent of Chesapeake and the Principal Stockholder.

11.4. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among Chesapeake, the Principal Stockholder, AspenTech and Acquisition Corp. with respect to the subject matter of this Agreement, and supersedes any and all prior agreements, understandings, promises or representations made by either party concerning the subject matter of this Agreement. All Exhibits and the Chesapeake Disclosure Schedule are an integral part of this Agreement and are incorporated in this Agreement by this reference.

11.5. APPLICABLE LAW. The validity, performance and construction of this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

11.6. CONSENT TO JURISDICTION. Each of the parties hereby consents and agrees to submit himself or itself to the non-exclusive jurisdiction of the federal courts of Massachusetts.

11.7. VALIDITY. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, each of which shall remain in full force and effect.

11.8. CAPTIONS; CONSTRUCTION. Titles or captions of Sections contained in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision of this Agreement. The words "herein" and "hereof" and other words of similar import refer to this Agreement as a whole and not to any particular part of this Agreement. The word "including" as used herein shall not be construed so as to exclude any other thing not referred to or described. All references herein to Sections and Exhibits shall be deemed references to such parts of this Agreement, except as otherwise provided.

11.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

This Agreement has been duly executed as a sealed instrument as of and on the date first above written.

ASPEN TECHNOLOGY, INC.	CHESAPEAKE DECISION SCIENCES, INC.
By: /s/ Lawrence B. Evans	By: /s/ Thomas E. Baker
Lawrence B. Evans Chief Executive Officer	Thomas E. Baker President and Chief Executive Officer
AT ACQUISITION CORP.	
By: /s/ Lawrence B. Evans	/s/ Thomas E. Baker
Lawrence B. Evans President and Chief Executive Officer	Thomas E. Baker, Individually

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the inclusion in this Form 8-K of our reports dated May 29, 1998 on our audit of the consolidated financial statements of Aspen Technology, Inc. and subsidiaries and our audit of the supplemental consolidated financial statements of Aspen Technology, Inc. and subsidiaries.

ARTHUR ANDERSEN LLP