

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[PART IV](#)

[INDEX TO CONSOLIDATED FINANCIAL STATEMENTS](#)

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2013

or

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

For the transition period from _____ to _____

Commission file number: 0-24786

Aspen Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-2739697
(I.R.S. Employer
Identification No.)

200 Wheeler Road
Burlington, Massachusetts
(Address of principal executive
offices)

01803
(Zip Code)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a
smaller reporting company)

Smaller reporting company

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

As of December 31, 2012, the aggregate market value of common stock (the only outstanding class of common equity of the registrant) held by non-affiliates of the registrant was \$2,247,399,610 based on a total of 81,309,682 shares of common stock held by non-affiliates and on a closing price of \$27.64 on December 31, 2012 for the common stock as reported on The NASDAQ Global Select Market.

There were 93,387,150 shares of common stock outstanding as of August 8, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement related to its 2013 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K are incorporated by reference in Part III, Items 10-14 of this Form 10-K.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I</u>	
Item 1. Business	3
Item 1A. Risk Factors	17
Item 1B. Unresolved Staff Comments	23
Item 2. Properties	23
Item 3. Legal Proceedings	23
Item 4. Mine Safety Disclosures	24
<u>PART II</u>	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	25
Item 6. Selected Financial Data	28
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	59
Item 8. Financial Statements and Supplementary Data	60
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	60
Item 9A. Controls and Procedures	61
Item 9B. Other Information	64
<u>PART III</u>	
Item 10. Directors, Executive Officers and Corporate Governance	65
Item 11. Executive Compensation	65
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	65
Item 13. Certain Relationships and Related Transactions, and Director Independence	65
Item 14. Principal Accounting Fees and Services	65
<u>PART IV</u>	
Item 15. Exhibits, Financial Statement Schedules	66
<u>SIGNATURES</u>	

Our registered trademarks include aspenONE, Aspen Plus, AspenTech, and HYSYS. All other trademarks, trade names and service marks appearing in this Form 10-K are the property of their respective owners.

Our fiscal year ends on June 30, and references to a specific fiscal year are the twelve months ended June 30 of such year (for example, "fiscal 2013" refers to the year ended June 30, 2013).

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "potential," "should," "target," or the negative of these terms or other similar words. These statements are only predictions. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause our, our customers' or our industry's actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements, to differ. "Item 1. Business," "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as other sections in this Form 10-K, discuss some of the factors that could contribute to these differences. The forward-looking statements made in this Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

This Form 10-K also contains estimates and other information concerning our industry, including market size and growth rates that are based on industry publications, surveys and forecasts, including those generated by ARC Advisory Group. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. Although we believe the information in these industry publications, surveys and forecasts is reliable, we have not independently verified the accuracy or completeness of the information. The industry in which we operate is subject to a high degree of uncertainty and risk due to variety of factors, including those described in "Item 1A. Risk Factors."

PART I

Item 1. Business.

Overview

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

Our software incorporates our proprietary empirical models of manufacturing and planning processes and reflects the deep domain expertise we have amassed from focusing on solutions for the process industries for over 30 years. We have developed our applications to design and optimize processes across three principal business areas: engineering, manufacturing and supply chain. We are a recognized market and technology leader in providing process optimization software for each of these business areas.

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

- Innovative products that can enhance our customers' profitability;
- Long-term customer relationships;

- Large installed base of users of our software; and
- Long-term license contracts with historically high renewal rates

We have more than 1,750 customers globally. Our customers in the process industries include energy, chemicals, engineering and construction, as well as consumer packaged goods, power, metals and mining, pulp and paper, pharmaceuticals and biofuels.

Industry Background

The process industries consist of companies that typically manufacture finished products by applying a controlled chemical process either to a raw material that is fed continuously through the plant or to a specific batch of raw material. The process industries include energy, chemicals, engineering and construction, as well as consumer packaged goods, power, metals and mining, pulp and paper, pharmaceuticals and biofuels.

Process manufacturing is often complex because small changes in the feedstocks used, or to the chemical process applied, can have a significant impact on the efficiency and cost-effectiveness of manufacturing operations. As a result, process manufacturers, as well as the engineering and construction firms that partner with these manufacturers, have extensive technical requirements and need sophisticated, integrated software to help design, operate and manage their complex manufacturing environments. The unique characteristics associated with process manufacturing create special demands for business applications that frequently exceed the capabilities of generic software applications or non-process manufacturing software packages.

Industry Specific Challenges Facing the Process Industries

Companies in different process industries face specific challenges that are driving the need for software solutions that design, operate and manage manufacturing environments more effectively:

- *Energy.* Our energy markets are comprised of three primary sectors: Refining and Marketing, also called "downstream," Exploration and Production, also called "upstream," and Gas Processing, also called "midstream":
 - Companies engaged in Refining and Marketing convert crude oil through a chemical manufacturing process into end products such as gasoline, jet and diesel fuels and into intermediate products for downstream chemical manufacturing companies. These companies are characterized by high volumes and low operating margins. In order to deliver better margins, they focus on optimizing feedstock selection and product mix, reducing energy and capital costs, maximizing throughput, and minimizing inventory, all while operating safely and in accordance with regulations.
 - Companies engaged in Exploration and Production explore for and produce hydrocarbons. They target reserves in increasingly diverse geographies involving greater geological, logistical and political challenges. They need to design and develop ever larger, more complex and more remote production, gathering and processing facilities as quickly as possible with the objective of optimizing production and ensuring regulatory compliance.
 - Companies engaged in Gas Processing gather natural gas from well heads, clean it, process it and separate it into dry natural gas and natural gas liquids in preparation for transport to downstream markets. The number of gas processing plants in North America has increased significantly in recent years to process gas extracted from shale deposits.

- *Chemicals.* The chemicals industry includes both bulk and specialty chemical companies:
 - Bulk chemical producers, which manufacture commodity chemicals, compete primarily on price, are seeking to achieve economies of scale and manage operating margin pressure by building larger, more complex plants located near feedstock sources.
 - Specialty chemical manufacturers, which primarily manufacture highly differentiated customer-specific products, face challenges in managing diverse product lines, multiple plants, complex supply chains and product quality.
- *Engineering and construction.* Engineering and construction firms must compete on a global basis in bidding on and executing complex, large-scale projects. They need a digital environment in which optimal plant designs can be produced quickly and efficiently, incorporating highly accurate cost estimation technology. In addition, these projects require software that enables significant collaboration internally, with the manufacturer, and in many cases, with other engineering and construction firms.

Similarly, companies in the consumer packaged goods, power, metals and mining, pulp and paper, pharmaceuticals and biofuels industries are seeking process optimization solutions that help them deliver improved financial and operating results in the face of varied process manufacturing challenges.

Increasing Complexity of the Process Industries

Companies in the process industries constantly face pressure on margins causing them to continually seek ways to operate more efficiently. At the same time, these manufacturers battle growing complexity as a result of the following industry trends:

- *Globalization of markets.* Process manufacturers are expanding their operations beyond mature geographic markets in order to take advantage of growing demand and available feedstocks in emerging markets such as China, India, Russia, Latin America and the Middle East. Process manufacturers must be able to design, build and operate plants in emerging markets efficiently and economically. They also need to improve efficiency and reduce costs at their existing plants in mature markets in order to compete with new plants in emerging markets; and they need to economically manage and optimize ever broadening supply chains.
- *Volatile markets.* Process manufacturers must react quickly to frequent changes in feedstock prices, temporary or longer-term feedstock shortages, and rapid changes in finished product prices. Unpredictable commodity markets strain the manufacturing and supply chain operations of process manufacturers, which must consider, and when appropriate implement, changes in inventory levels, feedstock inputs, equipment usage and operational processes in order to remain competitive.
- *Environmental and safety regulations.* Process companies must comply with an expanding array of data maintenance and reporting requirements under governmental and regulatory mandates, and the global nature of their operations can subject them to numerous regulatory regimes. These companies often face heightened scrutiny and oversight because of the environmental, safety and other implications of their products and manufacturing processes. These companies increasingly are relying upon software applications to model potential outcomes, store operating data and develop reporting capabilities.

Market Opportunity

Technology solutions historically have played a major role in helping companies in the process industries improve their manufacturing productivity. In the 1980s, process manufacturers implemented distributed control systems, or DCS, to automate the management of plant hardware. DCS use

computer hardware, communication networks and industrial instruments to measure, record and automatically control process variables. In the 1990s, these manufacturers adopted enterprise resource planning, or ERP, systems to streamline back office functions and interact with DCS. This allowed process manufacturers to track, monitor and report the performance of each plant, rather than relying on traditional paper and generic desktop spreadsheets.

Many process manufacturers have implemented both DCS and ERP systems but have realized that their investments in hardware and back-office systems are inadequate. A DCS is only able to control and monitor processes based on fixed sets of parameters and cannot dynamically react to changes in the manufacturing process unless instructed by end users. ERP systems can only record what is produced in operations. Although DCS and ERP systems help manage manufacturing performance, neither of these systems can optimize what is produced, how it is produced or where it is produced. Moreover, neither can help a process manufacturer understand how to improve its processes or how to identify opportunities to decrease operating expenses.

Process optimization software addresses the gap between DCS and ERP systems. This software focuses on the design and optimization of the manufacturing process itself: how the process is run and the economics of that process. By connecting DCS and ERP systems with intelligent, dynamic applications, process optimization software allows a manufacturer to make better, faster economic decisions. This software can optimize a manufacturing environment by, for example, incorporating process manufacturing domain knowledge, supporting real-time decision making, and providing the ability to forecast and simulate potential actions. Furthermore, these solutions can optimize the supply chain by helping a manufacturer to understand the operating conditions in each plant, which enables a manufacturer to decide where best to manufacture products.

Based on information and reports from ARC Advisory Group, we estimate that the market for engineering, manufacturing and supply chain process optimization software and services for the major industries that we serve was approximately \$2.8 billion in 2011. More specifically, based on this information, we estimate that:

- the total engineering market was approximately \$600 million in 2011 and is expected to grow at approximately 10% annually through 2015;
- the manufacturing market addressing the energy, chemicals and pharmaceuticals verticals was approximately \$1.9 billion in 2011 and is expected to grow at approximately 12% annually through 2015; and
- the supply chain market addressing the energy, chemicals and pharmaceuticals verticals was approximately \$300 million in 2011 and is expected to grow at 8% annually through 2015.

aspenONE Solutions

We provide integrated process optimization software solutions designed and developed specifically for the process industries. Customers use our solutions to improve their competitiveness and profitability by increasing throughput and productivity, reducing operating costs, enhancing capital efficiency, and decreasing working capital requirements. Our aspenONE software applications are organized into two suites, which are centered on our principal business areas of engineering, manufacturing and supply chain:

- *aspenONE Engineering.* Our engineering software is used on an engineer's desktop to design new plants, re-design existing plants, and simulate and optimize plant processes.
- *aspenONE Manufacturing and Supply Chain.* Our manufacturing software is designed to optimize day-to-day processing activities, enabling process manufacturers to make better, more profitable decisions and to improve plant performance. Our supply chain management software is designed

to enable process manufacturers to reduce inventory levels, increase asset efficiency and optimize supply chain operations.

In July 2009, we introduced our aspenONE licensing model, which is a subscription offering under which customers receive access to all of the products within the aspenONE suite(s) they license, including the right to any new unspecified future software products and updates that may be introduced into a licensed aspenONE software suite. This affords customers the ability to use our software whenever required and to experiment with different applications to best solve whatever critical business challenges they face.

We offer customer support, professional services and training services to our customers. Under our aspenONE licensing model, and for point product arrangements entered into since July 2009, software maintenance and support is included for the term of the arrangement. Professional services are offered to customers as a means to further implement and extend our technology across their corporations.

The key benefits of our aspenONE solutions include:

Broad and comprehensive software suites. We believe we are the only software provider that has developed comprehensive suites of software applications addressing the engineering, manufacturing and supply chain requirements of process manufacturers. While some competitors offer solutions in one or two principal business areas, no other vendor can match the breadth of our aspenONE offerings. In addition, we have developed an extensive array of software applications that address extremely specific and complex industry and end user challenges, such as feedstock selection and production scheduling for petroleum companies.

Mission-critical, integrated software solutions. aspenONE provides a standards-based framework that integrates applications, data and models within each of our software suites. Process manufacturers seeking to improve their mission-critical business operations can use the integrated software applications in the aspenONE Manufacturing and Supply Chain suite to support real-time decision making both for individual production facilities and across multiple sites. In addition, the common data models underlying an aspenONE suite improve collaboration and productivity by enabling data to be entered once and then maintained in a centralized repository accessible across a customer's enterprise.

Flexible commercial model. Our aspenONE licensing model provides a customer with access to all of the applications within the aspenONE suite(s) the customer licenses, including the right to any new unspecified future software products and updates that may be introduced into the licensed aspenONE software suite. The customer can change or alternate the use of multiple applications in a licensed suite through the use of exchangeable units of measurement, or tokens, licensed in quantities determined by the customer. This enables the customer to use those applications whenever required and to experiment with different applications to best solve whatever critical business challenges the customer faces. The customer can easily increase its usage of our software as their business requirements evolve.

Our Competitive Strengths

In addition to the breadth and depth of our integrated aspenONE software and the flexibility of our aspenONE licensing model, we believe our key competitive advantages include the following:

Industry-leading innovation based on substantial process expertise. Over the past 30 years, our significant investment in research and development has led to a number of major process engineering advances considered to be industry-standard applications. Since our founding, we have built a highly specialized development organization comprised of not only traditional software engineers but also chemical engineers. This approach provides us with substantial process industry

expertise, as our developers have critical know-how that allows us to address the specific challenges of our customers.

Rapid, high return on investment. Many customers purchase our software because they believe it will provide rapid, demonstrable and significant returns on their investment and increase their profitability. For some customers, cost reductions in the first year following installation have exceeded the total cost of our software. For many customers, even a relatively small improvement in productivity can generate substantial recurring benefits due to the large production volumes and limited profit margins typical in process industries. In addition, our solutions can generate organizational efficiencies and operational improvements that can further increase a process company's profitability.

Growth Strategy

Our objective is to further establish and extend our position as a leading global provider of process optimization software and related services to the process industries. We intend to build upon our market and technology leadership position by pursuing the following:

Continue to provide innovative, market-leading solutions. We have pioneered a number of industry standard and award-winning software applications. For example, Aspen Plus, our process modeling tool for the chemicals industry, has won the *Chemical Processing* magazine Readers' Choice Award for "Process Simulation Software" for the last nine years. We have been recognized by *R&D Magazine* for innovation in out of the box modeling capabilities that we developed with the National Institute of Standards and Technology. Our recent innovations include search and collaboration, modeling of solids processes, rundown blending optimization, Crude Assays characterization using molecular science, electrolyte and biofuel characterizations, and methodologies for carbon management. We intend to continue to invest in research and development in order to develop and offer new and enhanced solutions for our aspenONE suites.

Further penetrate existing customer base. We have an installed base of over 1,750 customers, but many customers do not use all of our products. As we transition these customers to our aspenONE licensing model, we will seek to identify ways in which they can improve their business processes by using the entire licensed suite of aspenONE applications, both at an individual user level and across all of their plant locations.

Expand presence in emerging markets. Companies in the process industries are expanding their operations to take advantage of growing demand and available feedstocks in markets such as China, India, Russia, Latin America and the Middle East. Additionally, process manufacturers with existing plants in these markets are beginning to recognize the value of upgrading their operations to take advantage of process optimization solutions. We historically have derived a significant portion of our total revenue from outside of North America, and we believe we can further extend our international presence by penetrating emerging markets.

Extend vertical reach and indirect sales channel. We have historically focused on the energy, chemicals, and engineering and construction industries. We intend to expand beyond our core vertical industries, in part by further developing our indirect channel. We are expanding our relationships with third-party resellers that have a presence in certain non-core verticals such as power, consumer packaged goods, pulp and paper, pharmaceuticals, metals and mining, and biofuels. We believe these relationships will enable us to reach companies in additional process industries cost effectively and to leverage our indirect channel partners' market experience and domain expertise in those industries.

Products

Our integrated process optimization software solutions are designed and developed specifically for the process industries. Customers use our solutions to improve their competitiveness and profitability by increasing throughput and productivity, reducing operating costs, enhancing capital efficiency, and decreasing working capital requirements. We have designed and developed our software applications across three principal business areas:

- *Engineering.* Our engineering software applications are used during both the design and the ongoing operation of plant facilities to model and improve the way engineers develop and deploy manufacturing assets. Process manufacturers must address a variety of challenges including design, operational improvement, collaborative engineering and economic evaluation. They must, for example, determine where they should locate facilities, how they can lower capital and manufacturing costs, what they should produce and how they can maximize plant efficiency.
- *Manufacturing.* Our manufacturing software products focus on optimizing day-to-day processing activities, enabling customers to make better, faster decisions that lead to improved plant performance and operating results. These solutions include desktop and server applications that help customers make real-time decisions, which can reduce fixed and variable costs and improve product yields. Process manufacturers must address a wide range of manufacturing challenges such as optimizing execution efficiency, reducing costs, selecting the right raw materials, scheduling and coordinating production processes, and identifying an appropriate balance between turnaround times, delivery schedules, product quality, cost and inventory.
- *Supply chain management.* Our supply chain management solutions include desktop and server applications that help customers optimize critical supply chain decisions in order to reduce inventory, increase asset efficiency, and respond more quickly to changing market conditions. Process manufacturers must address numerous challenges as they strive to effectively and efficiently manage raw materials inventory, production schedules and feedstock purchasing decisions. Supply chain managers face these challenges in an environment of ever-changing market prices, supply constraints and customer demands.

Our software applications are organized into two suites: aspenONE Engineering and aspenONE Manufacturing and Supply Chain. These suites are integrated applications that allow end users to design process manufacturing environments, forecast and simulate potential actions, monitor operational performance, and manage planning and scheduling activities. The two suites are designed

around core modules and applications that allow customers to design, manage and operate their process manufacturing environments, as shown below:

aspenONE Engineering

<u>Business Area</u>	<u>aspenOne Module</u>	<u>Major Products</u>	<u>Product Description</u>
Engineering	Engineering	Aspen Plus	Process modeling software for conceptual design, optimization and performance monitoring for the chemicals industry
		Aspen HYSYS	Process modeling software for conceptual design, optimization and performance monitoring for the energy industry
		Aspen Exchanger Design and Rating	Software used to design, simulate and optimize the performance of heat exchangers
		Aspen Economic Evaluation	Economic evaluation software for estimating costs of conceptual process designs
		Aspen Basic Engineering	Workflow product that allows engineers to build, re-use and share process models and data

aspenONE Manufacturing and Supply Chain

Business Area	aspenOne Module	Major Products	Product Description
Manufacturing	Manufacturing Execution Systems	Aspen Info Plus.21	Data historian software that collects and stores large volumes of data for analysis and reporting
	Advanced Process Control	Aspen DMCplus	Multi-variable controller software capable of processing multiple constraints simultaneously
Supply Chain	Planning & Scheduling	Aspen Collaborative Demand Manager	Enterprise solution for forecasting market demand
		Aspen Petroleum Scheduler	Integrated system that supports comprehensive scheduling and optimization of refinery activities
		Aspen PIMS Platinum	Enterprise planning software that optimizes feedstock evaluation, product slate and operational execution
		Aspen Plant Scheduler	Plant scheduling software that optimizes production scheduling
		Aspen Supply Chain Planner	Software for determining what to produce given product demands, inventory, and manufacturing and distribution constraints
	Supply & Distribution	Aspen Inventory Management & Operations Scheduling	Enterprise solution that allows users to manage their supply and demand balancing, inventory and scheduling
	Aspen Petroleum Supply Chain Planner	Economic planning product that solves multi-commodity, multi-period transportation optimization problems	
		Aspen Fleet Optimizer	Enterprise solution for inventory management and truck transportation optimization

Our product development activities are currently focused on strengthening the integration of our applications and adding new capabilities that address specific mission-critical operational business processes in each industry. As of June 30, 2013, we had a total of 454 employees in our products group, which is comprised of product management, software development and quality assurance. Research and development expenses were \$62.5 million in fiscal 2013, \$56.2 million in fiscal 2012 and \$50.8 million in fiscal 2011.

Maintenance and Training

Software maintenance and support consists primarily of providing customer technical support and access to software fixes and upgrades. For term arrangements entered into subsequent to our transition to a subscription-based licensing model, the license and software maintenance and support, or SMS, components cannot be separated, and SMS is included for the term of the arrangement. Customer technical support services are provided throughout the world by our three global call centers as well as via email and through our support website.

We offer a variety of training solutions ranging from standardized training, which can be delivered in a public forum, on-site at a customer's location or over the Internet, to customized training sessions, which can be tailored to fit customer needs. As of June 30, 2013, we had a total of 135 employees in our customer support and training group.

Professional Services

We offer professional services focused on implementation of our solution. Our professional services team primarily consists of project engineers with degrees in chemical engineering or a similar discipline, or who have significant relevant industry experience. Our employees include experts in fields, such as 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. Our primary focus is the successful implementation and usage of our software, and in many instances, this work can be professionally performed by qualified third parties. As a result, we often compete with third-party consulting firms when bidding for professional services contracts, particularly in developed markets. We offer our services on either a time-and-material or fixed-price basis. As of June 30, 2013, we had a total of 141 employees in our professional services group.

Business Segments

We have three operating segments: license; SMS, training, and other; and professional services. Our chief operating decision maker, the President and Chief Executive Officer, assesses financial performance and allocates resources based upon the three lines of business. For further information of our operating segments, see Note 12, "Segment and Geographic Information," to our Consolidated Financial Statements included under "Item 8, Financial Statements and Supplementary Data" of this Form 10-K.

Sales and Marketing

We employ a value-based sales approach, offering our customers a comprehensive suite of software and services that enhance the efficiency and productivity of their engineering, manufacturing and supply chain operations. We have increasingly focused on selling our products as a strategic investment for our customers and therefore devote an increasing portion of our sales efforts at senior management levels, including senior decision makers in manufacturing, operations and technology. Our aspenONE solution strategy supports this value-based approach by broadening the scope of optimization across the entire enterprise and expanding the use of process models in the operations environment. In particular, we offer a variety of training programs focused on illustrating the capabilities of our applications as well as online training built into our applications. We have implemented incentive compensation programs for our sales force that reward efforts that increase customer usage of our products.

In July 2009, we introduced our aspenONE licensing model under which customers receive access to all of the applications within the aspenONE suite(s) they license, including the right to any new unspecified future software products and updates that may be introduced into the licensed aspenONE software suite. This affords customers the ability to use our software whenever required and to experiment with different applications to best solve whatever critical business challenges they face. Customers can easily increase their usage of our software as their business requirements evolve. We believe our aspenONE licensing model will further enable our sales force to develop consultative sales relationships with our customers.

Historically, most of our license sales have been generated through our direct sales force. In order to market the specific functionality and other technical features of our software, our account managers work with specialized teams of technical sales personnel and product specialists organized for each

sales and marketing effort. Our technical sales personnel typically have degrees in chemical engineering or related disciplines and actively consult with a customer's plant engineers. Product specialists share their detailed knowledge of the specific features of our software solutions as they apply to the unique business processes of different vertical industries. In addition, we have a limited number of global account managers, each of whom is focused on a specific global account. Our overall sales force, which consists of sales account managers, technical sales personnel, indirect channel personnel, inside sales personnel, and marketing personnel, consisted of 388 employees as of June 30, 2013.

We supplement our direct sales efforts with a variety of marketing initiatives, including industry analyst and public relations activities, campaigns to promote awareness, user group meetings and customer relationship programs. We have established reseller relationships with select companies that we believe can help us increase sales in specific regions and non-core target markets.

We also license our software products to universities that agree to use our products in teaching and research. We believe that students' familiarity with our products will stimulate future demand once the students enter the workplace.

Competition

Our markets in general are competitive, and we expect the intensity of competition in our markets to increase as existing competitors enhance and expand their product and service offerings and as new participants enter the market. Increased competition may result in price reductions, reduced profitability and loss of market share. We cannot ensure that we will be able to compete successfully against existing or future competitors. Some of our customers and companies with which we have strategic relationships also are, or may become, competitors.

Many of our current and potential competitors have greater financial, technical, marketing, service and other resources than we have. As a result, these companies may be able to offer lower prices, additional products or services, or other incentives that we cannot match or offer. These competitors may be in a stronger position to respond more quickly to new technologies and may be able to undertake more extensive marketing campaigns. We believe they also have adopted and may continue to pursue more aggressive pricing policies and make more attractive offers to potential customers, employees and strategic partners. For example, some competitors may be able to initiate relationships through sales and installations of hardware and then seek to expand their customer relationships by offering process optimization software at a discount.

In addition, competitors with greater financial resources may make strategic acquisitions to increase their ability to gain market share or improve the quality or marketability of their products.

Our primary competitors differ among our principal product areas:

- Our engineering software competes with products of businesses such as ABB Ltd., Honeywell International, Inc., Invensys plc and KBC Advanced Technologies plc.
- Our manufacturing software competes with products of companies such as ABB Ltd., Honeywell International, Inc., Invensys plc, OSIsoft, Inc., Rockwell Automation, Inc., Siemens AG and Yokogawa Electric Corporation.
- Our supply chain management software competes with products of companies such as JDA Software Group, Inc., Oracle Corporation and SAP AG.

In addition, we face challenges in selling our solutions to large companies in the process industries that have internally developed their own proprietary software solutions.

We believe our key competitive differentiator is the profitability improvement that our software and services provide for our customers. We seek to develop and offer integrated suites of targeted,

high-value vertical industry solutions that can be implemented with relatively limited service requirements. We believe this approach provides us with an advantage over many of our competitors that offer software products that are point solutions or are more service-based. Our key competitive differentiators include:

- breadth, depth and integration of our aspenONE software offering;
- rapid return on investment and increase in profitability;
- domain and expertise of chemical engineering personnel;
- focus solely on software for the process industries;
- flexibility of our usage-based aspenONE licensing model;
- consistent global support.

Key License Agreements

Honeywell

We acquired Hyprotech Ltd. and related subsidiaries of AEA Technology plc in May 2002. The Federal Trade Commission alleged in an administrative complaint filed in August 2003 that this acquisition was improperly anticompetitive. In December 2004, we entered into a consent decree with the FTC to resolve the matter. In connection with the consent decree, we and certain of our subsidiaries entered into a purchase and sale agreement with Honeywell International Inc. and certain of its subsidiaries, pursuant to which we sold intellectual property and other assets to Honeywell relating to our operator training business and our Hyprotech engineering software products.

Under the terms of the transactions, we retained a perpetual, irrevocable, worldwide, royalty-free non-exclusive license (with the limited rights to sublicense) to the Hyprotech engineering software and have the right to continue to develop and sell the Hyprotech engineering products. We retained certain agreements with third parties other than customers or distributors for HYSYS and related products.

We are subject to ongoing compliance obligations under the FTC consent decree. Under a modification order that became final in August 2009, we are required to continue to provide the ability for users to save input variable case data for Aspen HYSYS and Aspen HYSYS Dynamics software in a standard "portable" format, which will make it easier for users to transfer case data from later versions of the products to earlier versions. We also must provide documentation to Honeywell of the Aspen HYSYS and Aspen HYSYS Dynamics input variables, as well as documentation of the covered heat exchanger products. These requirements will apply to all existing and future versions of the covered products released prior to December 31, 2014 or December 31, 2016, at the option of Honeywell. In addition, we provided to Honeywell a license to modify and distribute (in object code form) certain versions of our flare system analyzer software.

There is no assurance that the actions required by the FTC's modified order and related settlement with Honeywell will not provide Honeywell with additional competitive advantages that could materially adversely affect our results of operations.

Massachusetts Institute of Technology

In March 1982, we entered into a System License Agreement with the Massachusetts Institute of Technology, or MIT, granting us a worldwide, perpetual non-exclusive license (with the right to sublicense) to use, reproduce, distribute and create derivative works of the computer programs known as "ASPEN". The ASPEN program licensed from MIT provides a framework for simulating the steady-state behavior of chemical processes that we utilize in the simulation engine for our Aspen Plus product. MIT agreed that we would own any derivative works and enhancements. A one-time license

fee of \$30,000 was paid in full. MIT has the right to terminate the agreement if we breach the agreement and do not cure the breach within 90 days after receiving a written notice from MIT; if we cease to carry on our business; or if certain bankruptcy or insolvency proceedings are commenced and not dismissed. In the event of such termination, sublicenses granted to our customers prior to termination will remain in effect.

Intellectual Property

Our software is proprietary. Our strategy is to rely on a combination of copyright, patent, trademark and trade secret laws in the United States and other jurisdictions, and to rely on license and confidentiality agreements and software security measures to further protect our proprietary technology and brand. The laws of many countries in which our products are licensed may not protect our intellectual property rights to the same extent as the laws of the United States.

We have obtained or applied for patent protection with respect to some of our intellectual property, but generally do not rely on patents as a principal means of protecting intellectual property.

We conduct business under our trademarks and use trademarks on some of our products. We believe that having distinctive marks may be an important factor in marketing our products. We have registered or applied to register some of our significant trademarks in the United States and in selected other countries. Although we have a foreign trademark registration program for selected marks, the laws of many countries protect trademarks solely on the basis of registration and we may not be able to register or use such marks in each foreign country in which we seek registration. We actively monitor use of our trademarks and have enforced, and will continue to enforce, our rights to our trademarks.

We rely on trade secrets to protect certain of our technology. We generally seek to protect these trade secrets by entering into non-disclosure agreements with our employees and customers, and historically have restricted access to our software and source code, which we regard as proprietary information. In certain cases, we have provided copies of code to customers for the purpose of special product customization or have deposited the source code with a third-party escrow agent as security for ongoing service and license obligations. In these cases, we rely on non-disclosure and other contractual provisions to protect our proprietary rights. Trade secrets may be difficult to protect, and it is possible that parties may breach their confidentiality agreements with us.

The steps we have taken to protect our proprietary rights may not be adequate to deter misappropriation of our technology or independent development by others of technologies that are substantially equivalent or superior to our technology. Any misappropriation of our technology or development of competitive technologies could harm our business. We could incur substantial costs in protecting and enforcing our intellectual property rights.

We believe that the success of our business depends more on the quality of our proprietary software products, technology, processes and know-how than on trademarks, copyrights or patents. While we consider our intellectual property rights to be valuable, we do not believe that our competitive position in the industry is dependent simply on obtaining legal protection for our software products and technology. Instead, we believe that the success of our business depends primarily on our ability to maintain a leadership position by developing proprietary software products, technology, information, processes and know-how. Nevertheless, we attempt to protect our intellectual property rights with respect to our products and development processes through trademark, copyright and patent registrations, both foreign and domestic, whenever appropriate as part of our ongoing research and development activities.

Employees

As of June 30, 2013, we had a total of 1,328 full-time employees, of whom 754 were located in the United States. None of our employees are represented by a labor union, except for one employee of our subsidiary Hyprotech UK Limited who belongs to the Prospect union for professionals. We have experienced no work stoppages and believe that our employee relations are satisfactory.

Corporate Information

Aspen Technology, Inc. was formed in Massachusetts in 1981 and reincorporated in Delaware in 1998. Our principal executive offices are at 200 Wheeler Road, Burlington, MA 01803, and our telephone number at that address is (781) 221-6400. Our website address is <http://www.aspentech.com>. The information on our website is not part of this Form 10-K, unless expressly noted.

Available Information

Our website address is <http://www.aspentech.com>. Information contained on our website is not incorporated by reference into this Form 10-K unless expressly noted. We file reports with the Securities and Exchange Commission, or the SEC, which we make available on our website free of charge. These reports include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, each of which is provided on our website as soon as reasonably practicable after we electronically file such materials with or furnish them to the SEC. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below before purchasing our common stock. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties may also impair our business operations. If any of the following risks actually occurs, our business, financial condition, results of operations or cash flows would likely suffer. In that case, the trading price of our common stock could fall, and you may lose all or part of your investment in our common stock.

Risks Related to Our Business

If we fail to develop new software products, enhance existing products and services, or penetrate new vertical markets, we will be unable to implement our growth strategy successfully and our business could be seriously harmed.

The maintenance and extension of our market leadership and our future growth is largely dependent upon our ability to develop new software products that achieve market acceptance with acceptable operating margins. Enterprises are requiring their application software vendors to provide greater levels of functionality and broader product offerings. We must continue to enhance our current product line and develop and introduce new products and services that keep pace with increasingly sophisticated customer requirements and the technological developments of our competitors. Our business and operating results could suffer if we cannot successfully respond to the technological advances of competitors, or if our new products or product enhancements and services do not achieve market acceptance.

We have implemented a product strategy that unifies our software solutions under the aspenONE brand with differentiated aspenONE vertical solutions targeted at specific process industry segments. We cannot ensure that our product strategy will result in products that will continue to meet market needs and achieve significant market acceptance. If we fail to introduce new products that meet the demands of our customers or our target markets, or if we fail to penetrate new vertical markets in the process industries, our operating results and cash flows from operations will grow at a slower rate than we anticipate and our financial condition could suffer.

Our business could suffer if the demand for, or usage of, our aspenONE software declines for any reason, including declines due to adverse changes in the process industries.

Our aspenONE suites account for a significant majority of our revenue and will continue to do so for the foreseeable future. If demand for, or usage of, our software declines for any reason, our operating results, cash flows from operations and financial position would suffer. Our business could be adversely affected by:

- any decline in demand for or usage of our aspenONE suites;
- the introduction of products and technologies that serve as a replacement or substitute for, or represent an improvement over, our aspenONE suites;
- technological innovations that our aspenONE suites do not address; and
- our inability to release enhanced versions of our aspenONE suites on a timely basis.
- adverse changes in the process industries that lead to reductions, postponements or cancellations of customer purchases of our products and services.

Because of the nature of their products and manufacturing processes and their global operations, companies in the process industries are subject to risk of adverse or even catastrophic environmental,

safety and health accidents or incidents and are often subject to changing standards and regulations worldwide.

In addition, in the past, worldwide economic downturns and pricing pressures experienced by energy, chemical, engineering and construction, and other process industries have led to consolidations and reorganizations.

Any such adverse environmental, safety or health incident, change in regulatory standards, or economic downturn that affects the process industries, as well as general domestic and foreign economic conditions and other factors that reduce spending by companies in these industries, could harm our operating results in the future.

Unfavorable economic and market conditions or a lessening demand in the market for process optimization software could adversely affect our operating results.

Our business is influenced by a range of factors that are beyond our control and difficult or impossible to predict. If the market for process optimization software grows more slowly than we anticipate, demand for our products and services could decline and our operating results could be impaired. Further, the state of the global economy may deteriorate in the future. Our operating results may be adversely affected by unfavorable global economic and market conditions as well as a lessening demand for process optimization software generally.

Customer demand for our products is linked to the strength of the global economy. If weakness in the global economy persists, many customers may delay or reduce technology purchases. This could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies, increased price competition or reduced use of our products by our customers. We will lose revenue if demand for our products is reduced because potential customers experience weak or deteriorating economic conditions, catastrophic environmental or other events, and our business, results of operations, financial condition and cash flow from operations would likely be adversely affected.

The majority of our revenue is attributable to operations outside the United States, and our operating results therefore may be materially affected by the economic, political, regulatory and other risks of foreign operations.

As of June 30, 2013, we operated in 30 countries. We sell our products primarily through a direct sales force located throughout the world. In the event that we are unable to adequately staff and maintain our foreign operations, we could face difficulties managing our international operations.

Customers outside the United States accounted for the majority of our total revenue during the fiscal years ended June 30, 2013, 2012 and 2011. We anticipate that revenue from customers outside the United States will continue to account for a significant portion of our total revenue for the foreseeable future. Our operating results attributable to operations outside the United States are subject to additional risks, including:

- unexpected changes in regulatory requirements, tariffs and other barriers;
- less effective protection of intellectual property;
- requirements of foreign laws and other governmental controls;
- delays in the execution of license agreement renewals in the same quarter in which the original agreements expire;
- difficulties in collecting trade accounts receivable in other countries;
- adverse tax consequences; and
- the challenges of managing legal disputes in foreign jurisdictions.

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

During the fiscal years ended June 30, 2013, 2012 and 2011, 19.1%, 21.6% and 21.7% of our total revenue was denominated in a currency other than the U.S. dollar. In addition, certain of our operating expenses incurred outside the United States are denominated in currencies other than the U.S. dollar. Our reported revenue and operating results are subject to fluctuations in foreign exchange rates. Foreign currency risk arises primarily from the net difference between non-U.S. dollar receipts from customers outside the United States and non-U.S. dollar operating expenses for subsidiaries in foreign countries. Currently, our largest exposures to foreign exchange rates exist primarily with the Euro, Pound Sterling, Canadian dollar and Japanese Yen against the U.S. dollar. During the fiscal years ended June 30, 2013, 2012 and 2011, we did not enter into, and were not a party to any, derivative financial instruments, such as forward currency exchange contracts, intended to manage the volatility of these market risks. We cannot predict the impact of foreign currency fluctuations, and foreign currency fluctuations in the future may adversely affect our revenue and operating results. Any hedging policies we may implement in the future may not be successful, and the cost of those hedging techniques may have a significant negative impact on our operating results.

Competition from software offered by current competitors and new market entrants, as well as from internally developed solutions by our customers, could adversely affect our ability to sell our software products and related services and could result in pressure to price our products in a manner that reduces our margins.

Our markets in general are competitive and differ among our principal product areas: engineering, manufacturing, and supply chain management. Our engineering software competes with products of businesses such as ABB Ltd., Honeywell International, Inc., Invensys plc and KBC Advanced Technologies plc. Our manufacturing software competes with products of companies such as ABB Ltd., Honeywell International, Inc., Invensys plc, OSIsoft, Inc., Rockwell Automation, Inc., Siemens AG and Yokogawa Electric Corporation. Our supply chain management software competes with products of companies such as JDA Software Group, Inc., Oracle Corporation and SAP AG. In addition, we face challenges in selling our solutions to large companies in the process industries that have internally developed their own proprietary software solutions.

Many of our current and potential competitors have greater financial, technical, marketing, service and other resources than we have. As a result, these companies may be able to offer lower prices, additional products or services, or other incentives that we cannot match or offer. These competitors may be in a stronger position to respond more quickly to new technologies and may be able to undertake more extensive marketing campaigns. We believe they also have adopted and may continue to pursue more aggressive pricing policies and make more attractive offers to potential customers, employees and strategic partners. For example, some competitors may be able to initiate relationships through sales and installations of hardware and then seek to expand their customer relationships by offering process optimization software at a discount. In addition, many of our competitors have established, and may in the future continue to establish, cooperative relationships with third parties to improve their product offerings and to increase the availability of their products in the marketplace. Competitors with greater financial resources may make strategic acquisitions to increase their ability to gain market share or improve the quality or marketability of their products.

Competition could seriously impede our ability to sell additional software products and related services on terms favorable to us. Businesses may continue to enhance their internally developed solutions, rather than investing in commercial software such as ours. Our current and potential commercial competitors may develop and market new technologies that render our existing or future products obsolete, unmarketable or less competitive. In addition, if these competitors develop products with similar or superior functionality to our products, we may need to decrease the prices for our products in order to remain competitive. If we are unable to maintain our current pricing due to

competitive pressures, our margins will be reduced and our operating results will be negatively affected. We cannot ensure that we will be able to compete successfully against current or future competitors or that competitive pressures will not materially adversely affect our business, financial condition and operating results.

Defects or errors in our software products could harm our reputation, impair our ability to sell our products and result in significant costs to us.

Our software products are complex and may contain undetected defects or errors. We have not suffered significant harm from any defects or errors to date, but we have from time to time found defects in our products and we may discover additional defects in the future. We may not be able to detect and correct defects or errors before releasing products. Consequently, we or our customers may discover defects or errors after our products have been implemented. We have in the past issued, and may in the future need to issue, corrective releases of our products to remedy defects or errors. The occurrence of any defects or errors could result in:

- lost or delayed market acceptance and sales of our products;
- delays in payment to us by customers;
- product returns;
- injury to our reputation;
- diversion of our resources;
- increased service and warranty expenses or financial concessions;
- increased insurance costs; and
- legal claims, including product liability claims.

Defects and errors in our software products could result in claims for substantial damages against us.

We may be subject to significant expenses and damages because of pending liability claims and other claims related to our products and services.

The sale and implementation of certain of our software products and services, particularly in the areas of advanced process control and supply chain management, entail the risk of product liability claims and associated damages. Our software products and services are often integrated with our customers' networks and software applications and are used in the design, operation and management of manufacturing and supply chain processes at large facilities, often for mission critical applications.

Any errors, defects, performance problems or other failures of our software could result in significant liability to us for damages or for violations of environmental, safety and other laws and regulations. Our software products and implementation services could give rise to warranty and other claims. In the ordinary course of business, we are from time to time involved in lawsuits or claims relating to our products or services. These matters include an April 2004 claim by a customer for approximately \$5.0 million that certain of our software products and implementation services failed to meet the customer's expectations. We are unable to determine whether resolution of any of these matters will have a material adverse impact on our financial position, cash flows or results of operations, or, in many cases, reasonably estimate the amount of the loss, if any, that may result from the resolution of these matters.

Our agreements with customers generally contain provisions designed to limit our exposure to potential product liability claims. It is possible, however, that the limitation of liability provisions in our agreements may not be effective as a result of federal, foreign, state or local laws or ordinances or

unfavorable judicial decisions. A substantial product liability judgment against us could materially and adversely harm our operating results and financial condition. Even if our software is not at fault, a product liability claim brought against us could be time-consuming, costly to defend and harmful to our operations and reputation.

If we fail to comply or are deemed to have failed to comply with our ongoing Federal Trade Commission, or FTC, consent decree, our business may suffer.

In December 2004, we entered into a consent decree with the FTC with respect to a civil administrative complaint filed by the FTC in August 2003 alleging that our acquisition of Hyprotech Ltd. and related subsidiaries of AEA Technology plc in May 2002 was anticompetitive in violation of Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act. In July 2009, we announced that the FTC closed an investigation relating to the alleged violations of the decree, and issued an order modifying the consent decree, which became final in August 2009. We are subject to ongoing compliance obligations under the FTC consent decree. There is no assurance that the actions required by the FTC's modified order and related settlement with Honeywell International, Inc. will not require significant attention and resources of management, which could have a material adverse effect on our business. Further, if we fail to comply, or are deemed to have failed to comply, with such consent decree, our business may suffer.

Claims that we infringe the intellectual property rights of others may be costly to defend or settle and could damage our business.

We cannot be certain that our software and services do not infringe issued patents, copyrights, trademarks or other intellectual property rights, so infringement claims might be asserted against us. In addition, we have agreed, and may agree in the future, to indemnify certain of our customers against infringement claims that third parties may assert against our customers based on use of our software or services. Such claims may have a material adverse effect on our business, may be time-consuming and may result in substantial costs and diversion of resources, including our management's attention to our business. Furthermore, a party making an infringement claim could secure a judgment that requires us to pay substantial damages and could also include an injunction or other court order that could prevent us from selling our software or require that we re-engineer some or all of our products. Claims of intellectual property infringement also might require us to enter costly royalty or license agreements. We may be unable to obtain royalty or license agreements on terms acceptable to us or at all. Our business, operating results and financial condition could be harmed significantly if any of these events were to occur, and the price of our common stock could be adversely affected.

We may not be able to protect our intellectual property rights, which could make us less competitive and cause us to lose market share.

Our software is proprietary. Our strategy is to rely on a combination of copyright, patent, trademark and trade secret laws in the United States and other jurisdictions, and to rely on license and confidentiality agreements and software security measures to further protect our proprietary technology and brand. We have obtained or applied for patent protection with respect to some of our intellectual property, but generally do not rely on patents as a principal means of protecting our intellectual property. We have registered or applied to register some of our trademarks in the United States and in selected other countries. We generally enter into non-disclosure agreements with our employees and customers, and historically have restricted third-party access to our software and source code, which we regard as proprietary information. In certain cases, we have provided copies of source code to customers for the purpose of special product customization or have deposited copies of the source code with a third-party escrow agent as security for ongoing service and license obligations. In these cases, we rely on non-disclosure and other contractual provisions to protect our proprietary rights.

The steps we have taken to protect our proprietary rights may not be adequate to deter misappropriation of our technology or independent development by others of technologies that are substantially equivalent or superior to our technology. Our intellectual property rights may expire or be challenged, invalidated or infringed upon by third parties or we may be unable to maintain, renew or enter into new licenses on commercially reasonable terms. Any misappropriation of our technology or development of competitive technologies could harm our business and could diminish or cause us to lose the competitive advantages associated with our proprietary technology, and could subject us to substantial costs in protecting and enforcing our intellectual property rights, including costs of proceedings we have instituted to enforce our intellectual property rights, such as those described in "Item 3. Other Proceedings," and/or temporarily or permanently disrupt our sales and marketing of the affected products or services. The laws of some countries in which our products are licensed do not protect our intellectual property rights to the same extent as the laws of the United States. Moreover, in some non-U.S. countries, laws affecting intellectual property rights are uncertain in their application, which can affect the scope of enforceability of our intellectual property rights.

Our software research and development initiatives and our customer relationships could be compromised if the security of our information technology is breached as a result of a cyber-attack. This could have a material adverse effect on our business, operating results and financial condition, and could harm our competitive position.

We devote significant resources to continually updating our software and developing new products, and the financial performance of our company is dependent in part upon our ability to bring new products and services to market. Our customers use our software to optimize their manufacturing processes, and they rely on us to provide updates and releases as part of our software maintenance and support services, and to provide remote on-line troubleshooting support. The security of our information technology environment is therefore important to our research and development initiatives, and an important consideration in our customers' purchasing decisions. If the security of our systems is impaired, our development initiatives might be disrupted, and we might be unable to provide service. Our customer relationships might deteriorate, our reputation in the industry could be harmed, and we could be subject to liability claims. This could reduce our revenues, and expose us to significant costs to detect, correct and avoid recurrences of any breach of security and to defend any claims against us.

Risks Related to Our Common Stock

Our common stock may experience substantial price and volume fluctuations.

The equity markets have from time to time experienced extreme price and volume fluctuations, particularly in the high technology sector, and those fluctuations often have been unrelated to the operating performance of particular companies. In addition, factors such as our aspenONE licensing model, our financial performance, announcements of technological innovations or new products by us or our competitors, and market conditions in the computer software or hardware industries, may have a significant impact on the market price of our common stock.

In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation has often been instituted against that company. This type of litigation against us could result in substantial liability and costs and divert management's attention and resources.

Our corporate documents and provisions of Delaware law may prevent a change in control or management that stockholders may consider desirable.

Section 203 of the Delaware General Corporation Law, our charter and our by-laws contain provisions that might enable our management to resist a takeover of our company. These provisions include:

- limitations on the removal of directors;
- a classified board of directors, so that not all members of the board are elected at one time;
- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings;
- the ability of the board to make, alter or repeal our by-laws; and
- the ability of the board to designate the terms of and issue new series of preferred stock without stockholder approval.

These provisions could:

- have the effect of delaying, deferring or preventing a change in control of our company or a change in our management that stockholders may consider favorable or beneficial;
- discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions; and
- limit the price that investors might be willing to pay in the future for shares of our common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are located in leased facilities in Burlington, Massachusetts, consisting of approximately 75,000 square feet of office space to accommodate our product development, sales, marketing, operations and finance and administrative functions. Prior to September 1, 2007, our principal offices occupied approximately 111,000 square feet of office space in Cambridge, Massachusetts. The lease for this office space and the related sublease agreements expired on September 30, 2012.

We also lease approximately 76,000 square feet in Houston, Texas, which includes approximately 8,000 square feet of subleased space. In addition to our Burlington and Houston locations, we lease office space in Shanghai, Reading (UK), Singapore, Tokyo and Nashua, New Hampshire, to accommodate sales, services and product development functions.

In the remainder of our other locations, the majority of our leases have lease terms of one year or less that are generally based on the number of workstations required. We believe this facilities strategy provides us with significant flexibility to adjust to changes in our business environment. We do not own any real property. We believe that our leased facilities are adequate for our anticipated future needs.

Item 3. Legal Proceedings.

In July 2010 we filed an action against M3 Technology, Inc. (M3) for misappropriation of our trade secrets, infringement of our copyrights, and tortious interference in an action that we commenced in the U.S. District Court for the Southern District of Texas. The jury returned a verdict in our favor on

May 18, 2012, and a final judgment and permanent injunction was entered on June 6, 2012. The permanent injunction prohibits M3 from using, marketing, selling, distributing, licensing, modifying, servicing, copying, or offering for sale or license versions of the following products: SIMTO Scheduling/M-Blend/Global; SIMTO Scheduling/M-Blend; SIMTO Scheduling; and SIMTO Distribution. In addition, M3 was ordered to pay us the sum of \$11,346,329 in damages. M3 filed a Notice of Appeal on June 7, 2012. Oral argument was heard on the appeal on July 10, 2013 before the United States Court of Appeals for the Fifth Circuit, and the court has taken the matter under submission. M3 has also petitioned for bankruptcy relief in proceedings pending in the U.S. Bankruptcy Court for the Southern District of Texas (Case 12-3444).

Item 4. Mine Safety Disclosures

None

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

Our common stock currently trades on The NASDAQ Global Select Market under the symbol "AZPN." The closing price of our common stock on June 30, 2013 was \$28.79. The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported by The NASDAQ Global Select Market:

<u>Period</u>	<u>2013</u>		<u>2012</u>	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Quarter ended June 30	\$ 27.55	\$ 31.72	\$ 19.01	\$ 23.15
Quarter ended March 31	27.55	32.48	16.41	21.61
Quarter ended December 31	24.05	27.64	14.67	18.66
Quarter ended September 30	22.22	26.22	12.75	17.78

 Holders

On August 8, 2013, there were 541 holders of record of our common stock. The number of record holders does not include persons who held our common stock in nominee or "street name" accounts through brokers.

 Dividends

We have never declared or paid cash dividends on our common stock. We do not anticipate paying cash dividends on our common stock in the foreseeable future. Any future determination relating to our dividend policy will be made at the discretion of the Board of Directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition and future prospects and such other factors as the Board of Directors may deem relevant.

 Purchases of Equity Securities by the Issuer

As of June 30, 2013, we had repurchased an aggregate of 6,261,776 shares of our common stock pursuant a series of repurchases beginning on November 1, 2010.

On April 23, 2013, our Board of Directors approved a share repurchase program for up to \$150 million worth of our common stock. This share repurchase program replaced the prior share repurchase program approved by the Board of Directors on October 24, 2012 for up to \$100 million. The program approved on October 24, 2012 had replaced a repurchase program with a value of up to \$100 million which had been approved by the Board of Directors on November 1, 2011.

The following table sets forth, for the month indicated, our purchases of common stock during the fourth quarter of fiscal 2013:

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 1 to 30, 2013	297,500	\$ 30.20	297,500	—
May 1 to 31, 2013	296,647	\$ 30.29	296,647	—
June 1 to 30, 2013	251,655	\$ 29.60	251,655	—
	<u>845,802</u>	<u>\$ 30.05</u>	<u>845,802</u>	<u>\$ 134,375,013</u>

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information about the securities authorized for issuance under our equity compensation plans as of June 30, 2013:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	2,882,957	\$ 15.76	4,781,242
Equity compensation plans not approved by security holders	—	\$ —	—
Total	<u>2,882,957</u>	<u>\$ 15.76</u>	<u>4,781,242</u>

Equity compensation plans approved by security holders consist of our 2005 stock incentive plan and our 2010 equity incentive plan.

The securities remaining available for future issuance under equity compensation plans approved by our security holders as of June 30, 2013 consisted of:

- 214,712 shares of common stock issuable under our 2005 stock incentive plan; and
- 4,566,530 shares of common stock issuable under our 2010 equity incentive plan.

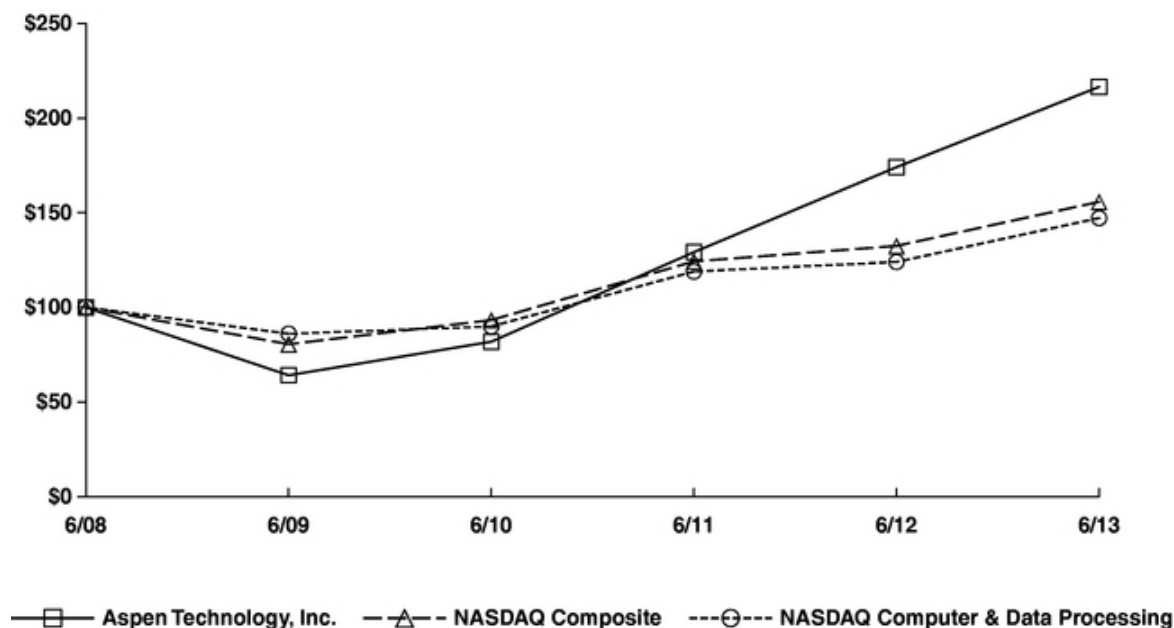
Options issuable under the 2005 stock incentive plan have a maximum term of seven years. Options issuable under the 2010 equity incentive plan have a maximum term of ten years.

Stockholder Return Comparison

The information included in this section is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act or to the liabilities of Section 18 of the Securities Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act or the Securities Exchange Act, except to the extent we specifically incorporate it by reference into such a filing.

The graph below matches the cumulative 5-year total return of holders of Aspen Technology, Inc.'s common stock with the cumulative total returns of the NASDAQ Composite index and the NASDAQ Computer & Data Processing index. The graph assumes that the value of the investment in our common stock and in each of the indexes (including reinvestment of dividends) was \$100 on June 30, 2008 and tracks it through June 30, 2013.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Aspen Technology, Inc., the NASDAQ Composite Index,
and the NASDAQ Computer & Data Processing Index



* \$100 invested on 6/30/08 in stock or index, including reinvestment of dividends Fiscal year ending June 30.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

	Fiscal Year Ended June 30,					
	2008	2009	2010	2011	2012	2013
Aspen Technology, Inc.	100.00	64.14	81.88	129.17	174.06	216.47
NASDAQ Composite	100.00	80.56	93.30	124.28	132.47	155.74
NASDAQ Computer & Data Processing	100.00	86.10	89.94	118.93	124.00	147.18

Item 6. Selected Financial Data.

The following table presents selected consolidated financial and other data for Aspen Technology, Inc. The consolidated statements of operations data set forth below for fiscal 2013, 2012 and 2011 and the consolidated balance sheets data as of June 30, 2013, and 2012, are derived from our Consolidated Financial Statements included beginning on page F-1 of this Form 10-K. The consolidated statements of operations data for fiscal 2010 and 2009 and the consolidated balance sheets data as of June 30, 2011, 2010, and 2009 are derived from our consolidated financial statements that are not included in this Form 10-K. The data presented below should be read in conjunction with our Consolidated Financial Statements and accompanying notes beginning on page F-1 and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended June 30,				
	2013	2012	2011	2010	2009
(Dollars in Thousands, Except per Share Data)					
Consolidated Statements of Operations Data:					
Revenue(1)	\$ 311,387	\$ 243,134	\$ 198,154	\$ 166,344	\$ 311,580
Gross profit	261,039	190,857	145,809	100,234	235,760
Income (loss) from operations	55,600	(15,007)	(54,576)	(109,370)	43,934
Net income (loss)(2)	\$ 45,262	\$ (13,808)	\$ 10,257	\$ (107,445)	\$ 52,924
Basic income (loss) per share	\$ 0.48	\$ (0.15)	\$ 0.11	\$ (1.18)	\$ 0.59
Diluted income (loss) per share	\$ 0.47	\$ (0.15)	\$ 0.11	\$ (1.18)	\$ 0.57
Weighted average shares outstanding—Basic	93,586	93,780	93,488	91,247	90,053
Weighted average shares outstanding—Diluted	95,410	93,780	95,853	91,247	92,578

- (1) In July 2009, we introduced our aspenONE licensing model under which license revenue is recognized over the term of a license contract. We previously recognized a substantial majority of our license revenue upfront, upon shipment of software. Refer to "Item 7. Management's Discussion and Analysis and Results of Operations—Transition to the aspenONE Licensing Model."
- (2) Our provision for income taxes provided a net benefit of \$54.0 million in fiscal 2011, due to the reversal of a significant portion of our U.S. valuation allowance in the fourth quarter of fiscal 2011. Refer to Note 8 to our Consolidated Financial Statements, "Income Taxes," for further information.

	Year Ended June 30,				
	2013	2012	2011	2010	2009
(Dollars in Thousands)					
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 132,432	\$ 165,242	\$ 149,985	\$ 124,945	\$ 122,213
Marketable securities	92,368	—	—	—	—
Working capital	69,890	65,744	80,188	94,466	97,914
Accounts receivable, net	36,988	31,450	27,866	31,738	49,882
Installments receivable, net	14,732	47,230	86,476	128,598	177,921
Collateralized receivables, net	—	6,297	25,039	51,430	96,366
Total assets	382,748	368,335	399,794	393,359	515,976
Deferred revenue	231,353	187,173	128,943	87,279	78,871
Secured borrowings	—	10,756	24,913	76,135	112,096
Total stockholders' equity	101,898	113,592	157,803	140,970	229,410

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

Our fiscal year ends on June 30, and references to a specific fiscal year are the twelve months ended June 30 of such year (for example, "fiscal 2013" refers to the year ended June 30, 2013).

Business Overview

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

Our software incorporates our proprietary empirical models of manufacturing and planning processes and reflects the deep domain expertise we have amassed from focusing on solutions for the process industries for over 30 years. We have developed our applications to design and optimize processes across three principal business areas: engineering, manufacturing and supply chain. We are a recognized market and technology leader in providing process optimization software for each of these business areas.

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

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

We have more than 1,750 customers globally. Our customers in the process industries include energy, chemicals, engineering and construction, as well as consumer packaged goods, power, metals and mining, pulp and paper, pharmaceuticals and biofuels.

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

Transition to the aspenONE Licensing Model

Prior to fiscal 2010, we offered term or perpetual licenses to specific products, or specifically defined sets of products, which we refer to as point products. The majority of our license revenue was recognized under an "upfront revenue model," in which the net present value of the aggregate license fees was recognized as revenue upon shipment of the point products, provided all revenue recognition criteria were met. Customers typically received one year of post-contract software maintenance and support, or SMS, with their license agreements and then could elect to renew SMS annually. Revenue from SMS was recognized ratably over the period in which the SMS was delivered.

In fiscal 2010, we introduced the following changes to our licensing model:

- (i) We began offering our software on a subscription basis allowing our customers access to all products within a licensed suite (aspenONE Engineering or aspenONE Manufacturing and Supply Chain). SMS is included for the entire term of the arrangement and customers are entitled to any software products or updates introduced into the licensed suite. We refer to this license arrangement as our aspenONE licensing model.
- (ii) We began to include SMS for the entire term on our point product term arrangements.

Revenue related to our aspenONE licensing model is recognized over the term of the arrangement on a ratable basis. During fiscal 2010 and 2011, license revenue related to our point product arrangements with SMS included for the entire term of the arrangement was generally recognized on the due date of each annual installment, provided all revenue recognition criteria were met. Beginning in fiscal 2012, with the introduction of our Premier Plus SMS offering, we were unable to establish evidence of the fair value for the SMS component and revenue from these arrangements is now recognized on a ratable basis.

The changes to our licensing model introduced in fiscal 2010 did not change the method or timing of customer billings or cash collections. Since the introduction of these changes, our net cash provided by operating activities has increased in each annual period from \$33.0 million in fiscal 2009 to \$146.6 million in fiscal 2013. During these periods we have realized steadily improving cash flow due to growth of our portfolio of term license contracts, as well as from the renewal of customer contracts, on an installment basis, that were previously paid upfront.

As of June 30, 2013, a significant percentage of our active license agreements has been transitioned to our aspenONE licensing model. In the foreseeable future, we anticipate that a significant portion of our remaining legacy term license arrangements will transition to the aspenONE licensing model as existing license agreements reach the end of their respective original terms. During this transition period, we may continue to have arrangements where the software element will be recognized upfront, including perpetual licenses, amendments to existing legacy term arrangements, and in limited cases, renewals of existing legacy term arrangements. However, we do not expect revenue related to these sources to be significant in relation to our total revenue.

Impact of Licensing Model Changes

The principal accounting implications of the changes to our licensing model in fiscal 2010 are as follows:

- Prior to fiscal 2010, the majority of our license revenue was recognized on an upfront basis. Since the upfront model resulted in the net present value of multiple years of future installments being recognized at the time of shipment, the changes to our licensing model resulted in a significant reduction in our software license revenue for fiscal 2010, 2011 and 2012 as compared to the fiscal years preceding our licensing model changes. These changes did not impact the

incurrence or timing of our expenses, and there was no corresponding expense reduction to offset the lower revenue, resulting in operating losses for fiscal 2010, 2011 and 2012.

- The transition will not be complete until the remaining term license agreements executed under our upfront revenue model reach the end of their original term. Many of our license arrangements were five or six years in duration when the aspenONE licensing model was introduced at the start of fiscal 2010, and consequently, a number of agreements executed under the upfront revenue model will not reach the end of their original term until fiscal 2016.
- The SMS component of our services and other revenue has decreased, and been offset by a corresponding increase in subscription and software revenue as customers have transitioned to our aspenONE licensing model. Under our aspenONE licensing model and for point product arrangements with Premier Plus SMS included for the full contract term, the entire arrangement fee, including the SMS component, is included within subscription and software revenue. The SMS component of our services and other revenue is expected to continue to decrease until the total portfolio of active license arrangements have been converted to arrangements which include SMS for the full contract term.
- Installment payments from aspenONE agreements and from point product arrangements with SMS included for the contract term are not considered fixed or determinable, and as a result, are not included in installments receivable. Accordingly, our installments receivable balance has, and is expected to continue to, decrease as licenses previously executed under our upfront revenue model reach the end of their terms.
- The amount of our deferred revenue has increased, and is expected to continue to increase, as more revenue from our term license portfolio is recognized on a ratable basis.

Introduction of our Premier Plus SMS Offering

Beginning in fiscal 2012, we introduced our Premier Plus SMS offering to provide more value to our customers. As part of this offering, customers receive 24x7 support, faster response times, dedicated technical advocates and access to web-based training modules. The Premier Plus SMS offering is only provided to customers that commit to SMS for the entire term of the arrangement. Our annually renewable legacy SMS offering continues to be available to customers with legacy term and perpetual license agreements.

The introduction of our Premier Plus SMS offering in fiscal 2012 resulted in a change to the revenue recognition of point product arrangements that include Premier Plus SMS for the term of the arrangement. Since we do not have vendor-specific objective evidence of fair value, or VSOE, for our Premier Plus SMS offering, the SMS element of our point product arrangements is not separable, resulting in revenue being recognized ratably over the term of the arrangement, once the other revenue recognition criteria have been met. Prior to fiscal 2012, license revenue was recognized on the due date of each annual installment, provided all revenue recognition criteria were met. The introduction of our Premier Plus SMS offering did not change the revenue recognition for our aspenONE licensing arrangements.

Revenue

We generate revenue primarily from the following sources:

- *Software licenses.* We provide integrated process optimization software solutions designed specifically for the process industries. We license our software products, together with SMS, primarily on a term basis, and we offer extended payment options for our term license agreements that generally require annual payments, which we also refer to as installments.

- *SMS and training.* Our SMS business consists primarily of providing customer technical support and access to software fixes and updates. We provide customer technical support services throughout the world from our customer support centers as well as via email and through our support website. Our training business provides customers with a variety of training solutions, including on-site, Internet-based and customized training.
- *Professional services.* We offer professional services that are focused on implementing our technology in order to improve customers' plant performance and gain better operational data. Customers who use our professional services typically engage us to provide those services over periods of up to 24 months. We charge customers for professional services on a time-and-materials or fixed-price basis.

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

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

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

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

Under our upfront revenue model, we are able to demonstrate that the fees are fixed or determinable for all arrangements, including those for our term licenses that contain extended payment terms. We have an established history of collecting under the terms of these contracts without providing concessions to customers. In addition, we also assess whether a contract modification to an existing term arrangement constitutes a concession. In making this assessment, significant analysis is performed to ensure that no concessions are given. Our software license agreements do not include a right of return or exchange. For license arrangements executed under the upfront revenue model, we recognize license revenue upon delivery of the software product, provided all other revenue recognition requirements are met.

We cannot assert that the fees under our aspenONE licensing model and point product arrangements with Premier Plus SMS are fixed or determinable because the rights provided to customers, and the economics of the arrangements, are not comparable to our transactions with other customers under the upfront revenue model. As a result, the amount of revenue recognized for these arrangements is limited by the amount of customer payments that become due.

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

Vendor-Specific Objective Evidence of Fair Value

We have established VSOE for certain SMS offerings, professional services, and training, but not for our software products or our Premier Plus SMS offering. We assess VSOE for SMS, professional services, and training based on an analysis of standalone sales of these offerings using the bell-shaped

curve approach. We do not have a history of selling our Premier Plus SMS offering to customers on a standalone basis, and as a result are unable to establish VSOE for this new deliverable.

We allocate the arrangement consideration among the elements included in our multi-element arrangements using the residual method. Under the residual method, the VSOE of the undelivered elements is deferred and the remaining portion of the arrangement fee for perpetual and term licenses is recognized as revenue upon delivery of the software, assuming all other revenue recognition criteria are met. If VSOE does not exist for an undelivered element in an arrangement, revenue is deferred until such evidence does exist for the undelivered elements, or until all elements are delivered, whichever is earlier. Under the upfront revenue model, the residual license fee is recognized upon delivery of the software provided all other revenue recognition criteria were met. Arrangements that qualify for upfront recognition include sales of perpetual licenses, amendments to existing legacy term arrangements and renewals of legacy term arrangements.

Subscription and Software Revenue

Subscription and software revenue consists of product and related revenue from our (i) aspenONE licensing model, including SMS; (ii) point product arrangements with our Premier Plus SMS offering included for the contract term; (iii) legacy arrangements including (a) amendments to existing legacy term arrangements, (b) renewals of legacy term arrangements and (c) legacy arrangements that are being recognized over time as a result of not previously meeting one or more of the requirements for recognition under the upfront revenue model; and (iv) perpetual arrangements.

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

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

Perpetual license and legacy arrangements do not include the same rights as those provided to customers under the aspenONE licensing model and point product arrangements with Premier Plus SMS. We continue to have VSOE for the legacy SMS offering provided in support of these license arrangements and can therefore separate the undelivered elements. Accordingly, the license fees for perpetual licenses and legacy arrangements continue to be recognized upon delivery of the software products using the residual method, provided all other revenue recognition requirements have been met.

Services and Other

SMS Revenue

SMS revenue includes the maintenance revenue recognized from arrangements for which we continue to have VSOE for the undelivered SMS offering (legacy SMS offering). For arrangements sold with our legacy SMS offering, SMS renewals are at the option of the customer, and the fair value of SMS is deferred and subsequently amortized over the contractual term of the SMS arrangement.

For arrangements executed under the aspenONE licensing model and beginning in fiscal 2012 for point product arrangements with Premier Plus SMS, we have not established VSOE for the SMS

deliverable. As a result, the revenue related to the SMS element of these transactions is reported in subscription and software revenue in the consolidated statements of operations. Prior to fiscal 2012, the revenue related to the SMS deliverable of our point product arrangements, for which we had VSOE, was reported in services and other revenue in the consolidated statements of operations.

We expect legacy SMS revenue to continue to decrease as additional customers transition to our aspenONE licensing model. Beginning in fiscal 2014, we expect that SMS revenue will represent less than 10% of our total revenue, at which time we will include legacy SMS revenue in the subscription and software line in our consolidated statements of operations.

Professional Services Revenue

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

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

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

Key Components of Operations

Revenue

Subscription and software revenue consists of product and related revenue from the following sources:

- (i) aspenONE licensing model, including SMS;
- (ii) Point product arrangements with our Premier Plus SMS offering included for the contract term (referred to as point product arrangements with Premier Plus SMS);
- (iii) legacy arrangements including (a) amendments to existing legacy term arrangements, (b) renewals of legacy term arrangements and (c) legacy arrangements that are being recognized over time as a result of not previously meeting one or more of the requirements for recognition under the upfront revenue model; and
- (iv) perpetual arrangements.

Results of Operations Classification—Subscription and Software Revenue

Prior to fiscal 2012, subscription and software revenue were each classified separately on our consolidated statements of operations, because each type of revenue had different revenue recognition characteristics, and the amount of revenue attributable to each was material in relation to our total revenue. Additionally, we were able to separate the residual amount of software revenue related to the software component of our point product arrangements which included SMS for the contract term, based on the VSOE for the SMS element.

As a result of the introduction of our Premier Plus SMS offering in the first quarter of fiscal 2012, the majority of our product-related revenue is now recognized on a ratable basis, over the term of the arrangement. Since the distinction between subscription and point product ratable revenue does not represent a meaningful difference from either a line of business or revenue recognition perspective, we have combined our subscription and software revenue into a single line item on consolidated statements of operations beginning in the first quarter of fiscal 2012.

The following table summarizes the changes to our revenue classifications and the timing of revenue recognition of subscription and software revenue for fiscal 2013 and 2012 compared to fiscal 2011. Ratable revenue refers to product revenue that is recognized evenly over the term of the related agreement, beginning when the first payment becomes due. The residual method refers to the recognition of the difference between the total arrangement fee and the undiscounted VSOE for the undelivered element, assuming all other revenue recognition requirements have been met.

Type of Revenue:	Revenue Classification in Income Statement		Revenue Recognition Methodology	
	Fiscal 2013 and 2012	Fiscal 2011	Fiscal 2013 and 2012	Fiscal 2011
	aspenONE subscription	Subscription and software	Subscription	Ratable
Point products				
—Software	Subscription and software	Software	Ratable	Residual method
—Bundled SMS	Subscription and software	Services and other	Ratable	Ratable
Other				
—Legacy arrangements	Subscription and software	Software	Residual method	Residual method
—Perpetual arrangements	Subscription and software	Software	Residual method	Residual method

Services and Other Revenue. Our services and other revenue consists primarily of revenue related to professional services, standalone renewals of our legacy SMS offering and training. The amount and timing of this revenue depend on a number of factors, including:

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

We expect legacy SMS revenue to continue to decrease as additional customers transition to our aspenONE licensing model. Beginning in fiscal 2014, we expect that SMS revenue will represent less than 10% of our total revenue, at which time we will include legacy SMS revenue in the subscription and software line in our consolidated statements of operations.

Cost of Revenue

Cost of Subscription and Software. Our cost of subscription and software revenue consists of royalties, amortization of capitalized software and purchased technology intangibles, distribution fees, the costs of providing SMS on arrangements where the related revenue is recorded as subscription and software revenue, and costs related to delivery of software.

Cost of Services and Other. Our cost of services and other revenue consists primarily of personnel-related and external consultant costs associated with providing customers professional services, SMS on arrangements for which we have VSOE for the SMS element, and training.

As additional customers transition to our aspenONE licensing model, the cost of SMS revenue continues to migrate from cost of services and other revenue to cost of subscription and software revenue. Beginning with fiscal 2014, we expect the majority of the costs of our SMS business to be presented in cost of subscription and software revenue in our consolidated statements of operations.

Operating Expenses

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

Research and Development Expenses. Research and development expenses consist primarily of personnel expenses related to the creation of new products and to enhancements and engineering changes to existing products.

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

Restructuring Charges. Restructuring charges result from the closure or consolidation of our facilities, or from qualifying reductions in headcount.

Other Income and Expenses

Interest Income. Interest income is recorded for the accretion of interest on the installment payments of our term software license contracts when revenue is recognized upfront at net present value, and from the investment in marketable securities and short-term money market instruments.

Interest Expense. Interest expense consists of charges primarily related to our secured borrowings. Secured borrowings are derived from our borrowing arrangements with unrelated financial institutions.

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

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

Key Business Metrics

Background

The changes to our licensing model in fiscal 2010 resulted in a significant reduction in our product-related revenue for fiscal 2010, 2011 and 2012 as compared to the fiscal years preceding our licensing model changes. Since the upfront model resulted in the net present value of multiple years of future installments being recognized at the time of shipment, we do not expect to recognize levels of revenue reflective of the value of our active license agreements until the remaining term license agreements executed under our upfront revenue model (i) reach the end of their original terms and (ii) are renewed. As a result, we believe that, a number of our performance indicators based on U.S. generally accepted accounting principles, or GAAP, including revenue, gross profit, operating income (loss) and net income (loss), are of limited value in assessing our performance, growth and financial condition. Accordingly, in addition to these GAAP-based performance indicators, we also focus on certain non-GAAP and other business metrics, including the key metrics set forth below, to track our business performance as we continue our transition to the aspenONE licensing model. None of these metrics should be considered as an alternative to any measure of financial performance calculated in accordance with GAAP.

We use a non-GAAP measure of free cash flow to analyze cash flows generated from our operations. Management believes that this financial measure is useful to investors because it permits investors to view our performance using the same tools that management uses to gauge progress in achieving our goals. We believe this measure is also useful to investors because it is an indication of cash flow that may be available to fund investments in future growth initiatives and it is also useful as a basis for comparing our performance with that of our competitors. To supplement our presentation of total cost of revenue and total operating costs presented on a GAAP basis, we use a non-GAAP measure of adjusted total costs, which excludes certain non-cash and non-recurring expenses. Management believes that this financial measure is useful to investors because it approximates the cash operating costs of the business. The presentation of these non-GAAP measures is not meant to be considered in isolation or as an alternative to cash flows from operating activities as a measure of liquidity or as an alternative to total cost of revenue and total operating costs as a measure of our total costs.

Total Term Contract Value

Total term contract value, or TCV, is an estimate of the renewal value, as of a specific date, of our active portfolio of term license agreements. TCV is calculated by multiplying the terminal annual payment for each active term license agreement by the original length of the existing license term, and then aggregating this amount for all active term license agreements. Accordingly, TCV represents the full renewal value of all of our current term license agreements under the hypothetical assumption that all of those agreements are simultaneously renewed for the identical license terms and at the same terminal annual payment amounts. TCV includes the value of SMS for any multi-year license agreements for which SMS is committed for the entire license term. TCV does not include any amounts for perpetual licenses, professional services, training or standalone renewal SMS. TCV is calculated using constant currency assumptions for agreements denominated in currencies other than U.S. dollars in order to remove the impact of currency fluctuations between comparison dates.

We also estimate a *license-only TCV*, which we refer to as *TLCV*, by removing the SMS portion of TCV using our historic estimated selling price for SMS. Our portfolio of active license agreements currently reflects a mix of (a) license agreements that include SMS for the entire license term and (b) legacy license agreements that do not include SMS. *TLCV* provides a consistent basis for assessing growth, particularly while customers are continuing to transition to arrangements that include SMS for the term of the arrangement.

We believe TCV and *TLCV* are useful metrics for analyzing our business performance, particularly while we are transitioning to our aspenONE licensing model or to point product arrangements with Premier Plus SMS included for the full term, and revenue comparisons between fiscal periods do not reflect the actual growth rate of our business. Comparing TCV and *TLCV* for different dates provides insight into the growth and retention rate of our business during the period between those dates.

TCV and *TLCV* increase as the result of:

- new term license agreements with new or existing customers;
- renewals or modifications of existing license agreements that result in higher license fees due to price escalation or an increase in the number of tokens (units of software usage) or products licensed; and
- renewals of existing license agreements that increase the length of the license term.

The renewal of an existing license agreement will not increase TCV and *TLCV* unless the renewal results in higher license fees or a longer license term. TCV and *TLCV* are adversely affected by customer non-renewals and by renewals that result in lower license fees or a shorter license term. Our standard license term historically has been between five and six years, and we do not expect this standard term to change in the future. Many of our contracts have escalating annual payments throughout the term of the arrangement. By calculating TCV and *TLCV* based on the terminal year annual payment, we are typically using the highest annual fee from the existing arrangement to calculate the hypothetical renewal value of our portfolio of term arrangements.

We estimate that *TLCV* grew by approximately 13.0% during fiscal 2013, from \$1.46 billion at June 30, 2012 to \$1.65 billion at June 30, 2013. We estimate that TCV grew by approximately 15.1% during fiscal 2013, from \$1.68 billion at June 30, 2012 to \$1.93 billion at June 30, 2013. The growth was attributable primarily to an increase in the number of tokens sold.

Annual Spend

Annual spend is a derivative metric that is closely related to TCV. TCV is an estimate of the full renewal value of our active portfolio of term license agreements, as of a specific date. Annual spend is an estimate of the annualized value of our active portfolio of term agreements, as of a specific date. Annual spend is calculated by taking the most recent annual invoice value of each of our active term contracts and then aggregating this amount for all active term licenses. Annual spend also includes the annualized value of standalone SMS agreements purchased in conjunction with term license agreements. We believe that the annual spend metric may be helpful to investors attempting to analyze and model subscription and software revenue while we transition to our aspenONE licensing model. Comparing annual spend for different dates provides insight into the growth and retention rates of our business, and since annual spend represents the estimated annualized billings associated with our active term license agreements, it provides insight into a normalized value for subscription and software revenue.

Annual spend increases as a result of:

- New term license agreements with new or existing customers;

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

Annual spend is adversely affected by term license and standalone SMS agreements that are not renewed. Unlike TCV and TLCV, the value of annual spend is not impacted by changes to contract duration.

We estimate that annual spend grew by approximately 11.1% during fiscal 2013, from \$304.2 million at June 30, 2012 to \$337.9 million at June 30, 2013. The growth was attributable primarily to an increase in the number of tokens sold.

Adjusted Total Costs

The following table presents our total cost of revenue and total operating expenses, as adjusted for stock-based compensation expense, restructuring charges, and amortization of purchased intangibles, for the indicated periods:

	Year Ended June 30,			2013 Compared to 2012		2012 Compared to 2011	
	2013	2012	2011	\$	%	\$	%
	(Dollars in Thousands)						
Total cost of revenue	\$ 50,348	\$ 52,277	\$ 52,345	\$ (1,929)	(3.7)%	\$ (68)	(0.1)%
Total operating expenses	205,439	205,864	200,385	(425)	(0.2)	5,479	2.7
Total expenses	255,787	258,141	252,730	(2,354)	(0.9)%	5,411	2.1%
Less:							
Stock-based compensation	(14,637)	(12,406)	(9,699)	(2,231)	18.0	(2,707)	27.9
Restructuring charges	5	301	247	(296)	(98.3)	54	21.9
Amortization of purchased technology intangibles	(702)	(142)	—	(560)	*	(142)	*
Adjusted total costs (non-GAAP)	\$ 240,453	\$ 245,894	\$ 243,278	\$ (5,441)	(2.2)%	\$ 2,616	1.1%

* Not meaningful

Fiscal 2013 Compared to Fiscal 2012

Total expenses decreased by \$2.4 million during fiscal 2013 compared to the prior fiscal year. Adjusted total costs, which consist of total cost of revenue and total operating expenses, adjusted to exclude stock-based compensation, restructuring charges and amortization of purchased technology intangibles, decreased by \$5.4 million for fiscal 2013 compared to the prior fiscal year. The period-over-period decrease in adjusted total costs was primarily attributable to a reduction in legal costs of \$6.0 million, lower compensation and related costs of \$1.6 million and lower third-party commissions of \$0.4 million. These decreases were partially offset by increases in marketing costs of \$0.6 million and other less significant items that totaled \$0.3 million, net. In addition, fiscal 2012 benefited from the recognition of a \$1.7 million gain associated with an insurance recovery, which resulted in a reduction in expense during the period. No similar events occurred in fiscal 2013.

Stock-based compensation expense increased \$2.2 million primarily due to the incremental expense associated with the August 2012 annual program grant, which had a higher valuation than awards granted in previous periods. Amortization of purchased technology intangibles increased \$0.6 million

associated with the assets acquired during fiscal 2013 and the second half of fiscal 2012. Please refer to the "Results of Operations" section below for additional information on year-over-year expense fluctuations.

Fiscal 2012 Compared to Fiscal 2011

Total expenses increased by \$5.4 million during fiscal 2012 compared to fiscal 2011. Adjusted total costs, which consist of total cost of revenue and total operating expenses, adjusted to exclude stock-based compensation, restructuring charges and amortization of purchased technology intangibles, increased by \$2.6 million for fiscal 2012 compared to fiscal 2011. The period-over-period increase in adjusted total costs was primarily attributable to higher compensation and related costs of \$3.8 million, an increase in business taxes of \$0.8 million, and other less significant increases which in the aggregate totaled \$2.7 million. These increases were offset by a reduction in legal costs of \$4.4 million, lower spending on outside consultants of \$2.6 million, the recognition of a \$1.7 million gain associated with an insurance recovery, lower audit fees of \$0.7 million, lower recruiting and related costs of \$0.7 million, and other less significant reductions which in the aggregate totaled \$1.4 million. In addition, the fiscal 2011 period benefited from the reversal of a previously accrued liability of \$4.0 million resulting from the expiration of a technology vendor relationship, as well as from the collection of previously reserved receivables resulting in a net reduction in bad debt expense of \$2.8 million. These two events resulted in a reduction in expense during the period. No similar events occurred in fiscal 2012.

Stock-based compensation expense increased \$2.7 million primarily due to the incremental expense associated with the August 2011 annual program grant, which had a higher valuation than the prior year annual grant, partially offset by a decrease attributable to certain awards becoming fully vested. Please refer to the "Results of Operations" section below for additional information on year-over-year expense fluctuations.

Free Cash Flow

Free cash flow is calculated as net cash provided by operating activities adjusted for the net impact of (a) purchases of property, equipment and leasehold improvements (b) insurance proceeds and (c) capitalized computer software development costs.

Customer collections and, consequently, cash flows from operating activities and free cash flow are primarily driven by license and services billings, rather than recognized revenue. As a result, the introduction of our aspenONE licensing model has not had an adverse impact on cash receipts. Until existing term license contracts are renewed and license-related revenue returns to prior year levels, we believe free cash flow is a more relevant measure of our financial performance than income statement profitability measures such as total revenue, gross profit, operating income (loss) and net income (loss). Additionally, we also believe that free cash flow is often used by securities analysts, investors and other interested parties in the evaluation of software companies.

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

	Year Ended June 30,		
	2013	2012	2011
	(Dollars in Thousands)		
Net cash provided by operating activities	\$ 146,562	\$ 104,637	\$ 63,330
Purchase of property, equipment, and leasehold improvements	(4,507)	(4,241)	(2,839)
Insurance proceeds	2,222	—	—
Capitalized computer software development costs	(1,156)	(511)	(1,990)
Free cash flow (non-GAAP)	<u>\$ 143,121</u>	<u>\$ 99,885</u>	<u>\$ 58,501</u>

Total free cash flow increased \$43.2 million during fiscal 2013 as compared to the prior fiscal year.

We have realized steadily improving free cash flow due to growth of our portfolio of term license contracts as well as from the renewal of customer contracts on an installment basis that were previously paid upfront. Over the past few years we have reduced the incentive for customers to pay upfront by reducing the discount rate used to calculate the upfront payment. We expect our free cash flow to continue to improve as our portfolio of term license contracts continues to grow.

Results of Operations

The following table sets forth the results of operations, percentage of total revenue and the year-over-year percentage change in certain financial data for fiscal 2013, 2012 and 2011:

	Year Ended June 30,						2013 Compared to 2012 %	2012 Compared to 2011 %
	2013		2012		2011			
	(Dollars in Thousands, Except Percentages)							
Revenue:								
Subscription and software	\$ 239,654	77.0%	\$ 166,688	68.6%	\$ 103,699	52.3%	43.8%	60.7%
Services and other	71,733	23.0	76,446	31.4	94,455	47.7	(6.2)	(19.1)
Total revenue	<u>311,387</u>	<u>100.0</u>	<u>243,134</u>	<u>100.0</u>	<u>198,154</u>	<u>100.0</u>		
Cost of revenue:								
Subscription and software	12,788	4.1	10,617	4.4	5,213	2.6	20.4	103.7
Services and other	37,560	12.1	41,660	17.1	47,132	23.8	(9.8)	(11.6)
Total cost of revenue	<u>50,348</u>	<u>16.2</u>	<u>52,277</u>	<u>21.5</u>	<u>52,345</u>	<u>26.4</u>	<u>(3.7)</u>	<u>(0.1)</u>
Gross profit	<u>261,039</u>	<u>83.8</u>	<u>190,857</u>	<u>78.5</u>	<u>145,809</u>	<u>73.6</u>	<u>36.8</u>	<u>30.9</u>
Operating expenses:								
Selling and marketing	93,655	30.1	96,400	39.6	90,771	45.8	2.8	6.2
Research and development	62,516	20.1	56,218	23.2	50,820	25.6	11.2	10.6
General and administrative	49,273	15.8	53,547	22.0	59,041	29.8	(8.0)	(9.3)
Restructuring charges	(5)	—	(301)	(0.1)	(247)	(0.1)	*	21.9
Total operating expenses	<u>205,439</u>	<u>66.0</u>	<u>205,864</u>	<u>84.7</u>	<u>200,385</u>	<u>101.1</u>	<u>(0.2)</u>	<u>2.7</u>
Income (loss) from operations	55,600	17.8	(15,007)	(6.2)	(54,576)	(27.5)	*	(72.5)
Interest income	3,379	1.1	7,578	3.1	13,075	6.6	(55.4)	(42.0)
Interest expense	(424)	(0.1)	(4,204)	(1.7)	(5,138)	(2.6)	(89.9)	(18.2)
Other (expense) income, net	<u>(1,117)</u>	<u>(0.4)</u>	<u>(3,519)</u>	<u>(1.5)</u>	<u>2,919</u>	<u>1.5</u>	<u>(68.3)</u>	<u>*</u>
Income (loss) before provision for (benefit from) income taxes	57,438	18.4	(15,152)	(6.3)	(43,720)	(22.1)	*	(65.3)
Provision for (benefit from) income taxes(1)	<u>12,176</u>	<u>3.9</u>	<u>(1,344)</u>	<u>(0.6)</u>	<u>(53,977)</u>	<u>(27.2)</u>	<u>*</u>	<u>(97.5)</u>
Net income (loss)	<u>\$ 45,262</u>	<u>14.5%</u>	<u>\$ (13,808)</u>	<u>(5.7)%</u>	<u>\$ 10,257</u>	<u>5.2%</u>	<u>*%</u>	<u>*%</u>

* Not meaningful

(1) Our provision for (benefit from) income taxes provided a net \$54.0 million benefit in fiscal 2011, due to the reversal of a significant portion of our U.S. valuation allowance in the fourth quarter. See Note 8 to our Consolidated Financial Statements, "Income Taxes," for further information.

Revenue

Fiscal 2013 Compared to Fiscal 2012

Total revenue increased by \$68.3 million compared to the prior fiscal year. The increase was due to higher subscription and software revenue of \$73.0 million, partially offset by lower services and other revenue of \$4.7 million.

Fiscal 2012 Compared to Fiscal 2011

Total revenue increased by \$45.0 million compared to the prior fiscal year. The increase was due to higher subscription and software revenue of \$63.0 million, partially offset by lower services and other revenue of \$18.0 million.

Subscription and Software Revenue

As discussed in "Results of Operations Classification—Subscription and Software Revenue," we have combined subscription and software revenues on our consolidated statements of operations in the first quarter of fiscal 2012. Subscription and software revenue includes revenue recognized under both ratable and residual methods. The following tables provide subscription and software revenue for fiscal 2013, 2012 and 2011, based on the respective revenue recognition methodology.

	Year Ended, June 30			Year Ended, June 30		
	2013	2012	2011	2013	2012	2011
	(Dollars in Thousands)			% of Total		
Subscription and software revenue:						
Ratable(1)	\$ 225,064	\$ 144,144	\$ 58,459	93.9%	86.5%	56.4%
Residual method(2)	14,590	22,544	45,240	6.1	13.5	43.6
Subscription and software revenue	<u>\$ 239,654</u>	<u>\$ 166,688</u>	<u>\$ 103,699</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) During fiscal 2011, the fair value of the SMS element of point product arrangements totaled \$2.1 million and was presented in the consolidated statements of operations as services and other revenue. Effective July 1, 2011, the fee attributable to SMS included in point product arrangements is no longer separable since we are unable to establish VSOE, and as a result, is included within ratable revenue.

(2) **Residual method revenue detail**

	Year Ended, June 30		
	2013	2012	2011
	(Dollars in Thousands)		
Residual method revenue:			
Point products—Software		*	* \$ 20,190
Legacy arrangements	13,008	20,586	22,761
Perpetual arrangements	1,582	1,958	2,289
Total residual method revenue	<u>\$ 14,590</u>	<u>\$ 22,544</u>	<u>\$ 45,240</u>

* Effective July 1, 2011, the total combined arrangement fee (which includes the fee attributable to SMS) for point product arrangements with Premier Plus SMS is recognized on a ratable basis.

Fiscal 2013 Compared to Fiscal 2012

The increase in subscription and software revenue was primarily the result of a larger base of arrangements being recognized on a ratable basis during the fiscal year. We expect subscription and software revenue to continue to increase as customers renew expiring contracts formerly on the upfront revenue model.

As noted in the table above, we recognized approximately \$13.0 million and \$20.6 million of revenue related to legacy arrangements during fiscal 2013 and 2012, respectively. Going forward, we

expect residual method revenue from legacy arrangements to decrease and be replaced with term-based licensing agreements that are recognized on a ratable basis. We do not expect revenue related to point products licensed on a perpetual basis to be a significant source of revenue in the future periods.

Fiscal 2012 Compared to Fiscal 2011

The increase in subscription and software revenue was primarily the result of a larger base of arrangements being recognized on a ratable basis during the fiscal year.

As noted in the table above, we recognized approximately \$20.6 million and \$22.8 million of revenue related to legacy arrangements during fiscal 2012 and 2011, respectively.

Services and Other Revenue

	Year Ended June 30,			2013 Compared to 2012		2012 Compared to 2011	
	2013	2012	2011	\$	%	\$	%
	(Dollars in Thousands, Except Percentages)						
Professional services revenue	\$ 26,856	\$ 22,421	\$ 29,334	\$ 4,435	19.8%	\$ (6,913)	(23.6)%
SMS and other revenue	44,877	54,025	65,121	(9,148)	(16.9)	(11,096)	(17.0)
Services and other revenue	\$ 71,733	\$ 76,446	\$ 94,455	\$ (4,713)	(6.2)%	\$ (18,009)	(19.1)%
As a percent of revenue	23.0%	31.4%	47.7%				

Professional Services Revenue

Fiscal 2013 Compared to Fiscal 2012

The year-over-year increase in professional services revenue was primarily attributable to increased professional services activity and a reduction in the net revenue deferrals on professional service arrangements sold as a single arrangement with, or in contemplation of, a new aspenONE license or a point product arrangement with Premier Plus SMS. Also, during fiscal 2013, we deferred \$1.3 million of professional services revenue accounted for under the completed contract method compared to \$1.9 million of revenue on such arrangements during the prior fiscal year.

Under the aspenONE licensing model, revenue from committed professional service arrangements that are sold as a single arrangement with, or in contemplation of, a new aspenONE licensing transaction is deferred and recognized on a ratable basis over the longer of (a) the period the services are performed or (b) the term of the related software arrangement. As our typical contract term approximates five years, professional services revenue on these types of arrangements will usually be recognized over a longer period than the period over which the services are performed. During fiscal 2013, we had net revenue deferrals of \$2.5 million for professional services bundled with aspenONE transactions. By comparison, we had net revenue deferrals of \$4.1 million on similar arrangements during the prior fiscal year.

Fiscal 2012 Compared to Fiscal 2011

The year-over-year decrease in professional services revenue was primarily due to decreased customer demand for professional services and to the timing of revenue recognition on certain large arrangements. Our primary focus is the successful implementation and usage of our software, and in many instances, this work can be professionally performed by qualified third parties. We often compete with third-party consulting firms when bidding for professional services contracts, particularly in developed markets. The competitive market for services, in conjunction with increasing customer familiarity with many of our well-established software products, had an unfavorable impact on our professional services revenue during fiscal 2012.

For fiscal 2012, we had net deferrals of \$4.1 million for professional services bundled with aspenONE transactions. By comparison, we had net deferrals of \$2.8 million on similar arrangements during the prior fiscal year.

The timing of revenue recognition on certain large arrangements can also impact the comparability of professional services revenue from period to period. In fiscal 2012, we deferred the recognition of \$2.0 million of professional services revenue on certain large arrangements that did not meet the requirements for revenue recognition. By comparison, in fiscal 2011, we deferred the recognition of approximately \$3.2 million of professional services revenue on similar arrangements.

SMS and Other Revenue

SMS and other revenue includes revenue from annually renewed legacy SMS, offered in support of our perpetual and legacy term arrangements.

Fiscal 2013 Compared to Fiscal 2012

The year-over-year decrease in SMS and other revenue was primarily due to customers transitioning from legacy term and perpetual arrangements to term license arrangements that include Premier Plus SMS for the contract term. Under our subscription-based licensing model and for point product arrangements with Premier Plus SMS, the entire arrangement fee is included within subscription and software revenue. We expect legacy SMS revenue to continue to decrease as additional customers transition to our aspenONE licensing model. Beginning in fiscal 2014, we expect that SMS revenue will represent less than 10% of our total revenue, at which time we will include SMS revenue in the subscription and software line in our consolidated statements of operations.

Fiscal 2012 Compared to Fiscal 2011

The year-over-year decrease in SMS and other revenue was primarily due to customers transitioning from legacy term and perpetual arrangements to term license arrangements that include Premier Plus SMS for the contract term.

Expenses

Cost of Subscription and Software Revenue

	Year Ended June 30,			2013 Compared to 2012		2012 Compared to 2011	
	2013	2012	2011	\$	%	\$	%
	(Dollars in Thousands, Except Percentages)						
Cost of subscription and software revenue	\$ 12,788	\$ 10,617	\$ 5,213	\$ 2,171	20.4%	\$ 5,404	103.7%
Gross margin	94.7%	93.6%	95.0%				

Fiscal 2013 Compared to Fiscal 2012

The increase in cost of subscription and software revenue was primarily due to a larger percentage of SMS services being provided to customers under our aspenONE licensing model and point product arrangements with Premier Plus SMS. We allocate the portion of SMS cost associated with providing support services on these arrangements to match the expense with the related revenue. As the subscription business grows, the cost of SMS revenue migrates from cost of services and other revenue to cost of subscription and software revenue. In addition, cost of subscription and software revenue increased \$0.6 million due to higher amortization of purchased technology intangibles.

Beginning with fiscal 2014, we expect the costs of our SMS business to be presented in cost of subscription and software revenue in our consolidated statements of operations.

Fiscal 2012 Compared to Fiscal 2011

The increase in cost of subscription and software revenue was primarily due to a larger percentage of SMS services being provided to customers under our aspenONE licensing model and point product arrangements with Premier Plus SMS.

In addition, the fiscal 2011 period benefited from the reversal of a previously accrued liability of \$4.0 million resulting from the expiration of a technology vendor relationship. No similar event occurred in fiscal 2012. Our subscription and software gross margins during fiscal 2012 were slightly higher than the prior fiscal year after excluding the impact of the reversal of the previously accrued liability for fiscal 2011.

Cost of Services and Other Revenue

	Year Ended June 30,			2013 Compared to 2012		2012 Compared to 2011	
	2013	2012	2011	\$	%	\$	%
	(Dollars in Thousands, Except Percentages)						
Cost of services and other revenue	\$ 37,560	\$ 41,660	\$ 47,132	\$ (4,100)	(9.8)%	\$ (5,472)	(11.6)%
Gross margin	47.6%	45.5%	50.1%				

Cost of services and other revenue includes the cost of providing professional services, training, annually renewed legacy SMS, and other revenue.

Fiscal 2013 Compared to Fiscal 2012

Cost of Professional Services Revenue

The cost of professional services revenue decreased \$1.3 million during fiscal 2013 compared to the prior fiscal year. The decrease was primarily attributable to lower compensation and related costs, partially offset by reduced cost deferrals on projects accounted for under the completed contract method.

The timing of expense recognition on professional service arrangements can impact the comparability of cost of professional services revenue from period to period. In fiscal 2013, we deferred net costs of \$0.6 million on certain large arrangements. By comparison, we deferred costs of \$2.5 million on similar arrangements during fiscal 2012.

Cost of SMS and Other Revenue

Cost of SMS and other revenue decreased \$2.8 million during fiscal 2013 compared to the prior fiscal year. The year-over-year decrease in cost of SMS and other revenue was primarily due to the growth of our subscription-based revenue and the associated higher allocation of SMS support costs being reported in cost of subscription and software revenue. As the subscription business grows, the cost of SMS revenue continues to migrate from cost of services and other revenue to cost of subscription and software revenue.

Beginning with fiscal 2014, we expect the costs of our SMS business to be presented in cost of subscription and software revenue in our consolidated statements of operations.

Gross margin on cost of services and other revenue increased from 45.5% in fiscal 2012 to 47.6% in fiscal 2013 primarily due to the increased professional services revenues and the reduction in

compensation and related costs on professional services, as noted above. As the gross margin on SMS has historically been higher than on professional services, and SMS revenue continues to migrate to subscription and software revenue, we expect the gross margin on services and other revenue to trend downward, however, it may be variable on a period to period basis.

Fiscal 2012 Compared to Fiscal 2011

Cost of Professional Services Revenue

The cost of professional services revenue decreased \$1.2 million during fiscal 2012 compared to the prior fiscal year. The decrease was primarily attributable to lower compensation and related costs.

Cost of SMS and Other Revenue

Cost of SMS and other revenue decreased \$4.3 million during fiscal 2012 compared to the prior fiscal year. The year-over-year decrease in cost of SMS and other revenue was primarily due to the growth of our subscription-based revenue and the associated higher allocation of SMS support costs being reported in cost of subscription and software revenue.

Gross margin on cost of services and other revenue declined from 50.1% in fiscal 2011 to 45.5% in fiscal 2012 primarily due to continuous migration of SMS revenue to subscription and software revenue.

Selling and Marketing Expense

	Year Ended June 30,			2013 Compared to 2012		2012 Compared to 2011	
	2013	2012	2011	\$	%	\$	%
	(Dollars in Thousands, Except Percentages)						
Selling and marketing expense	\$ 93,655	\$ 96,400	\$ 90,771	\$ (2,745)	2.8%	\$ 5,629	6.2%
As a percent of revenue	30.1%	39.6%	45.8%				

Fiscal 2013 Compared to Fiscal 2012

The year-over-year decrease in selling and marketing expense for fiscal 2013 was primarily the result of lower compensation and related costs of \$4.0 million, which includes lower commissions, and lower third-party commissions of \$0.4 million, partially offset by higher marketing costs of \$0.6 million, higher travel expenses of \$0.5 million and other less significant items that totaled \$0.6 million, net.

Fiscal 2012 Compared to Fiscal 2011

The year-over-year increase in selling and marketing expense for fiscal 2012 was primarily the result of higher compensation and related costs of \$4.7 million, which includes higher stock-based compensation expense of \$1.0 million. The remaining year-over-year increase was primarily the result of higher third-party commissions of \$0.5 million and higher travel expenses of \$0.5 million.

Research and Development Expense

	Year Ended June 30,			2013 Compared to 2012		2012 Compared to 2011	
	2013	2012	2011	\$	%	\$	%
	(Dollars in Thousands, Except Percentages)						
Research and development expense	\$ 62,516	\$ 56,218	\$ 50,820	\$ 6,298	11.2%	\$ 5,398	10.6%
As a percent of revenue	20.1%	23.2%	25.6%				

Fiscal 2013 Compared to Fiscal 2012

The year-over-year increase in research and development expense for fiscal 2013 was primarily the result of higher compensation and related costs of \$6.6 million.

Fiscal 2012 Compared to Fiscal 2011

The year-over-year increase in research and development expense for fiscal 2012 was primarily the result of higher compensation and related costs of \$4.1 million and lower capitalized software development costs of \$1.0 million.

General and Administrative Expense

	Year Ended June 30,			2013 Compared to 2012		2012 Compared to 2011	
	2013	2012	2011	\$	%	\$	%
	(Dollars in Thousands, Except Percentages)						
General and administrative expense	\$ 49,273	\$ 53,547	\$ 59,041	\$ (4,274)	(8.0)%	\$ (5,494)	(9.3)%
As a percent of revenue	15.8%	22.0%	29.8%				

Fiscal 2013 Compared to Fiscal 2012

The year-over-year decrease in general and administrative expense for fiscal 2013 was primarily attributable to a reduction in legal costs of \$6.0 million and other less significant items that totaled \$0.6 million, net, partially offset by higher compensation and related costs of \$0.6 million. Additionally, the 2012 period benefited from the recognition of a \$1.7 million gain associated with an insurance recovery. No similar event occurred in 2013.

Fiscal 2012 Compared to Fiscal 2011

The year-over-year decrease in general and administrative expense for fiscal 2012 was primarily attributable to a reduction in legal costs of \$4.4 million, the recognition of a \$1.7 million gain associated with an insurance recovery, lower spending on outside consultants of \$1.6 million, decreases in recruiting and related expenses of \$1.2 million and lower audit fees of \$0.8 million. These decreases were partially offset by higher compensation and related costs of \$0.7 million. Additionally, the 2011 period benefited from the collection of previously reserved receivables resulting in a net reduction in bad debt expense for the period of \$2.8 million. No similar event occurred in 2012.

Restructuring Charges

	Year Ended June 30,			2013 Compared to 2012		2012 Compared to 2011	
	2013	2012	2011	\$	%	\$	%
	(Dollars in Thousands, Except Percentages)						
Restructuring charges	\$ (5)	\$ (301)	\$ (247)	\$ 296	*	\$ (54)	21.9%
As a percent of revenue	—%	(0.1)%	(0.1)%				

* Not meaningful

Fiscal 2013 Compared to Fiscal 2012

There were no new restructuring events during fiscal 2013 or 2012. The activity in restructuring charges during these fiscal years was the result of accretion and adjustments relating to changes in estimates on existing facilities-related restructuring plans.

Fiscal 2012 Compared to Fiscal 2011

There were no new restructuring events during fiscal 2012 or 2011. The activity in restructuring charges during these fiscal years was the result of accretion and adjustments relating to changes in estimates on existing facilities-related restructuring plans.

Interest Income

	Year Ended June 30,			2013 Compared to		2012 Compared to	
	2013	2012	2011	2012	%	2011	%
	(Dollars in Thousands, Except Percentages)						
Interest income	\$ 3,379	\$ 7,578	\$ 13,075	\$ (4,199)	(55.4)%	\$ (5,497)	(42.0)%
As a percent of revenue	1.1%	3.1%	6.6%				

Fiscal 2013 Compared to Fiscal 2012

The year-over-year decrease in interest income during fiscal 2013 was primarily attributable to the decrease of our installments receivable portfolio, partially offset by the income generated from investments in marketable securities. We expect interest income to continue to decrease going forward as our installments receivable balance continues to decrease.

Fiscal 2012 Compared to Fiscal 2011

The year-over-year decrease in interest income during fiscal 2012 was primarily attributable to the continued decrease of our collateralized and installment receivables portfolios.

Interest Expense

	Year Ended June 30,			2013 Compared to		2012 Compared to	
	2013	2012	2011	2012	%	2011	%
	(Dollars in Thousands, Except Percentages)						
Interest expense	\$ (424)	\$ (4,204)	\$ (5,138)	\$ 3,780	(89.9)%	\$ 934	(18.2)%
As a percent of revenue	(0.1)%	(1.7)%	(2.6)%				

Fiscal 2013 Compared to Fiscal 2012

The year-over-year decrease in interest expense during fiscal 2013 was attributable to the pay-down of our secured borrowings which were repaid in full during the second quarter of fiscal 2013.

Fiscal 2012 Compared to Fiscal 2011

The year-over-year decrease in interest expense during fiscal 2012 was primarily attributable to lower average secured borrowing balances, resulting from the continued pay-down of our existing secured borrowing arrangements.

Other (Expense) Income, Net

	Year Ended June 30,			2013 Compared to		2012 Compared to	
	2013	2012	2011	2012		2011	
	(Dollars in Thousands, Except Percentages)			\$	%	\$	%
Other (expense) income, net	\$ (1,117)	\$ (3,519)	\$ 2,919	\$ 2,402	(68.3)%	\$ (6,438)	*%
As a percent of revenue	(0.4)%	(1.5)%	1.5%				

* Not meaningful

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

Fiscal 2013 Compared to Fiscal 2012

During fiscal 2013, other (expense) income, net included net currency losses of \$1.2 million. During fiscal 2012, other (expense) income, net included net currency losses of \$3.7 million.

Fiscal 2012 Compared to Fiscal 2011

During fiscal 2012, other (expense) income, net included net currency losses of \$3.7 million. During fiscal 2011, other expense (income), net included net currency gains of \$3.3 million, partially offset by the write-off of a cost method investment.

Provision for (Benefit from) Income Taxes

	Year Ended June 30,			2013 Compared to		2012 Compared to	
	2013	2012	2011	2012		2011	
	(Dollars in Thousands, Except Percentages)			\$	%	\$	%
Provision for (benefit from) income taxes	\$ 12,176	\$ (1,344)	\$ (53,977)	\$ 13,520	*	\$ 52,633	(97.5)%
Effective tax rate	21.2%	(8.9)%	*				

* Not meaningful

Fiscal 2013 Compared to Fiscal 2012

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

Our effective tax rate was 21.2% during fiscal 2013 compared to a benefit rate of 8.9% during fiscal 2012.

We recognized an income tax expense of \$12.2 million during fiscal 2013 compared to a benefit of \$1.3 million during fiscal 2012. Income tax expense during fiscal 2013 was driven primarily by pre-tax profitability in our domestic and foreign operations and the impact of non-deductible stock-based

compensation. Additionally, income tax expense during fiscal 2013 included a benefit of \$9.3 million due to the reversal of a deferred tax liability related to restructuring of a foreign affiliate.

The tax benefit during fiscal 2012 was derived primarily from taxable losses incurred, and our assessment that it is more likely than not that we will recognize these benefits in the future. In addition, our benefit from income taxes included the impact of the reversal of certain tax contingencies determined under the provisions of ASC Topic 740, *Income Taxes* (ASC 740).

As of June 30, 2013, we maintain a valuation allowance in the U.S. primarily for certain deferred tax assets related to capital losses that are anticipated to expire unused. We also maintain a valuation allowance on certain foreign subsidiary NOL carryforwards because it is more likely than not that a benefit will not be realized. As of June 30, 2013 and 2012, our total valuation allowance was \$9.9 million and \$5.6 million, respectively.

We made cash tax payments totaling \$5.1 million during fiscal 2013. The majority of these tax payments were related to foreign liabilities. These payments were partially offset by cash tax refunds of \$0.5 million.

Fiscal 2012 Compared to Fiscal 2011

We recognized a benefit from income taxes of \$1.3 million during fiscal 2012 compared to a benefit of \$54.0 million during fiscal 2011. The tax benefit during fiscal 2012 was derived primarily from taxable losses incurred, and our assessment that it is more likely than not that we will recognize these benefits in the future. In addition, our benefit from income taxes included the impact of the reversal of certain tax contingencies determined under the provisions of ASC 740.

In fiscal 2011, based on our evaluation of the realizability of our U.S. federal net operating loss carryforwards (NOLs), foreign tax credits, and R&D credits, we recognized a benefit from income taxes due to a significant reduction of our valuation allowance of \$48.8 million. Also during fiscal 2011 we established tax contingencies of \$7.2 million determined under the provisions of ASC 740. These contingencies included penalties and interest, which were recorded as a component of our income tax expense.

We made cash tax payments totaling \$3.6 million during fiscal 2012. The majority of these tax payments were related to foreign liabilities. These payments were offset by cash tax refunds of \$0.9 million.

Liquidity and Capital Resources

Resources

In recent years, we have financed our operations principally with cash generated from operating activities. As of June 30, 2013, our principal sources of liquidity consisted of \$132.4 million in cash and cash equivalents and \$92.4 million of marketable securities. As of June 30, 2012, our principal sources of liquidity consisted of \$165.2 million in cash and cash equivalents.

We believe our existing cash and cash equivalents and marketable securities, together with our cash flows from operating activities, will be sufficient to meet our anticipated cash needs for at least the next twelve months. To the extent our cash and cash equivalents, marketable securities and cash flows from operating activities are insufficient to fund future activities, we may need to raise additional funds through the financing of receivables or from public or private equity or debt financings. We also may need to raise additional funds in the event we decide to make one or more acquisitions of businesses, technologies or products. If additional funding is required, we may not be able to effect a receivable, equity or debt financing on terms acceptable to us or at all.

Our cash equivalents of \$117.0 million and \$144.0 million consist primarily of money market funds as of June 30, 2013 and 2012, respectively. Our investments in marketable securities of \$92.4 million as of June 30, 2013 consist primarily of investment grade fixed income corporate debt securities with maturities ranging from less than one month to 19 months. We had no investments in marketable securities as of June 30, 2012. The fair value of our portfolio is affected by interest rate movements, credit and liquidity risks. The objective of our investment policy is to manage our cash and investments to preserve principal and maintain liquidity, while earning a return on our investment portfolio by investing available funds. We diversify our investment portfolio by investing in multiple types of investment-grade securities and using a third-party investment manager.

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

	Year Ended June 30,		
	2013	2012	2011
	(Dollars in Thousands)		
Cash flow provided by (used in):			
Operating activities	\$ 146,562	\$ 104,637	\$ 63,330
Investing activities	(97,391)	(7,369)	(4,829)
Financing activities	(81,771)	(81,699)	(34,264)
Effect of exchange rates on cash balances	(210)	(312)	803
(Decrease) increase in cash and cash equivalents	<u>\$ (32,810)</u>	<u>\$ 15,257</u>	<u>\$ 25,040</u>

Operating Activities

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

Fiscal 2013 Compared to Fiscal 2012

Cash from operating activities provided \$146.6 million during fiscal 2013. This amount resulted from net income of \$45.3 million, adjusted for non-cash items of \$24.9 million, and a net source of cash of \$76.4 million due to net decreases in operating assets of \$36.8 million and net increases in operating liabilities of \$39.6 million.

Non-cash expenses within net income consisted primarily of \$14.6 million for stock-based compensation expense, deferred income tax expense of \$5.1 million, and \$5.2 million of depreciation and amortization.

A net decrease in operating assets of \$36.8 million and a net increase in operating liabilities of \$39.6 million contributed \$76.4 million to net cash from operating activities. Sources of cash consisted of decreases in installment and collateralized receivables totaling \$39.4 million, decreases in prepaid expenses, prepaid income taxes, and other assets totaling \$3.8 million and increases in deferred revenue of \$44.6 million. Partially offsetting these sources of cash were increases in accounts receivable of \$6.1 million, unbilled services of \$0.4 million and reductions in accounts payable, accrued expenses and other current liabilities of \$4.9 million.

Fiscal 2012 Compared to Fiscal 2011

Cash from operating activities provided \$104.6 million during fiscal 2012. This amount resulted from a net loss of \$13.8 million, adjusted for non-cash items of \$12.1 million and a net \$106.3 million source of cash due to decreases in operating assets and increases in operating liabilities.

Non-cash expenses within net loss consisted primarily of \$12.4 million for stock-based compensation expense, \$5.3 million of depreciation and amortization, and \$0.9 million of net unrealized foreign currency losses, partially offset by a deferred income tax benefit of \$4.8 million and other non-cash operating activities of \$1.7 million.

A decrease in operating assets and an increase in operating liabilities contributed \$106.3 million to net cash from operating activities. The cash generated from this change consisted of an increase in deferred revenue of \$58.4 million and decreases in installments and collateralized receivables totaling \$57.0 million. Partially offsetting these sources of cash was an increase in prepaid expenses, prepaid income taxes, and other assets of \$3.9 million, an increase in accounts receivable and unbilled services of \$3.6 million and reductions in accounts payable, accrued expenses, income taxes payable and other liabilities of \$1.6 million.

Investing Activities

Fiscal 2013 Compared to Fiscal 2012

During fiscal 2013, we used \$97.4 million of cash for investing activities. The cash used consisted primarily of \$97.6 million for purchases of marketable securities related to a program which we initiated during fiscal 2013 to make direct investments in these assets. Partially offsetting this use of cash was the receipt of \$4.5 million from maturities of marketable securities.

Additional uses of cash during fiscal 2013 included \$4.5 million related to capital expenditures, primarily for computer hardware and software, \$0.9 million used for the purchase of technology intangibles, and \$1.2 million related to capitalized computer software development costs. Partially offsetting these uses of cash was the receipt of \$2.2 million for insurance proceeds. We do not expect our future investment in capital expenditures to be materially different from recent levels. We are not currently a party to any material purchase contracts related to future capital expenditures.

Fiscal 2012 Compared to Fiscal 2011

During fiscal 2012, we used \$7.4 million of cash for investing activities. The cash used consisted of \$4.2 million related to computer hardware and software expenditures, and \$2.6 million for payments for acquisitions, net of cash acquired. During fiscal 2012, we capitalized software development costs of \$0.5 million related to projects where we established technological feasibility.

Financing Activities

Fiscal 2013 Compared to Fiscal 2012

During fiscal 2013, we used \$81.8 million of cash for financing activities. We paid \$84.7 million for the repurchase of our common stock, made net payments on secured borrowings of \$11.0 million, and paid withholding taxes of \$7.7 million on vested and settled restricted stock units. Sources of cash in the period included proceeds of \$21.1 million from the exercise of employee stock options. Cash used for financing activities during fiscal 2013 includes \$0.5 million related to stock-based compensation tax deductions in excess of book compensation expense that will be credited to additional paid in capital when such deductions reduce taxes payable.

Fiscal 2012 Compared to Fiscal 2011

During fiscal 2012, we used \$81.7 million of cash for financing activities. We paid \$46.1 million for the repurchase of our common stock, made net payments on secured borrowings of \$39.9 million (\$44.9 million of repayments offset by \$5.0 million of proceeds), received proceeds of \$8.9 million from the exercise of employee stock options, and paid withholding taxes of \$4.6 million on vested and settled restricted stock units during fiscal 2012.

We did not finance any receivables to fund operations during fiscal 2012. However, we did exchange \$5.0 million of previously-financed receivables due to superseding existing contracts during fiscal 2012. This exchange is shown as both a use and source of funds related to secured borrowings on our consolidated statements of cash flows.

Borrowings Collateralized by Receivable Contracts

We had no outstanding secured borrowings as of June 30, 2013 since the balance due to the financial institutions was repaid in full during fiscal 2013. Secured borrowings amounted to \$10.8 million as of June 30, 2012. Prior to the repayment of secured borrowings, we maintained arrangements with financial institutions for borrowings secured by our installments receivable contracts for which limited recourse existed against us. Under these programs, we and the financial institution negotiated the amount borrowed and interest rate secured by each receivable for each transaction. The customers' payments of the underlying receivables funded the repayment of the related amounts borrowed. We were never required to repurchase the receivables for events of default in accordance with program terms. The collateralized receivables earned interest income, and the secured borrowings accrued borrowing costs at approximately the same interest rate.

Contractual Obligations and Requirements

As of June 30, 2013, our contractual obligations consisted primarily of operating leases for our headquarters and other facilities, and royalties. There were no additional commitments for capital purchases or other expenditures at June 30, 2013.

Our contractual obligations were as follows at June 30, 2013:

	Payments due by Period				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
(Dollars in Thousands)					
Contractual Cash Obligations:					
Operating leases	\$ 15,042	\$ 6,857	\$ 7,724	\$ 461	\$ —
Fixed fee royalty obligations	4,216	1,704	1,982	169	361
Contractual royalty obligations	2,257	2,257	—	—	—
Other obligations	4,127	1,646	2,437	44	—
Total contractual cash obligations	<u>\$ 25,642</u>	<u>\$ 12,464</u>	<u>\$ 12,143</u>	<u>\$ 674</u>	<u>\$ 361</u>
Other Commercial Commitments:					
Standby letters of credit	\$ 1,323	\$ 779	\$ 30	\$ 500	\$ 14
Total commercial commitments	<u>\$ 26,965</u>	<u>\$ 13,243</u>	<u>\$ 12,173</u>	<u>\$ 1,174</u>	<u>\$ 375</u>

The standby letters of credit were issued by Silicon Valley Bank in the United States and secure performance on professional services contracts and rental agreements.

The above table does not reflect a net liability for uncertain tax positions of \$10.4 million as of June 30, 2013. We estimate that none of this amount will be paid within the next year and we are currently unable to reasonably estimate the timing of payments for the remainder of the liability.

Off-Balance Sheet Arrangements

As of June 30, 2013, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Critical Accounting Estimates and Judgments

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of our financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the assumptions and estimates associated with the following critical accounting policies have the greatest potential impact on our consolidated financial statements:

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

For further information on our significant accounting policies, refer to Note 2 to the Consolidated Financial Statements.

Revenue Recognition

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

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

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

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

Under our upfront revenue model, we are able to demonstrate that the fees are fixed or determinable for all arrangements, including those for our term licenses that contain extended payment terms. We have an established history of collecting under the terms of these contracts without providing concessions to customers. In addition, we also assess whether a contract modification to an existing term arrangement constitutes a concession. In making this assessment, significant analysis is performed to ensure that no concessions are given. Our software license agreements do not include a right of return or exchange. For license arrangements executed under the upfront revenue model, we recognize

license revenue upon delivery of the software product, provided all other revenue recognition requirements are met.

We cannot assert that the fees under our aspenONE licensing model and point product arrangements with Premier Plus SMS are fixed or determinable because the rights provided to customers, and the economics of the arrangements, are not comparable to our transactions with other customers under the upfront revenue model. As a result, the amount of revenue recognized for these arrangements is limited by the amount of customer payments that become due.

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

Vendor-Specific Objective Evidence of Fair Value

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

We allocate the arrangement consideration among the elements included in our multi-element arrangements using the residual method. Under the residual method, the VSOE of the undelivered elements is deferred and the remaining portion of the arrangement fee for perpetual and term licenses is recognized as revenue upon delivery of the software, assuming all other revenue recognition criteria are met. If VSOE does not exist for an undelivered element in an arrangement, revenue is deferred until such evidence does exist for the undelivered elements, or until all elements are delivered, whichever is earlier. Under the upfront revenue model, the residual license fee is recognized upon delivery of the software provided all other revenue recognition criteria were met. Arrangements that qualify for upfront recognition include sales of perpetual licenses, amendments to existing legacy term arrangements and renewals of legacy term arrangements.

Subscription and Software Revenue

Subscription and software revenue consists of product and related revenue from our (i) aspenONE licensing model, including SMS; (ii) point product arrangements with our Premier Plus SMS offering included for the contract term; (iii) legacy arrangements including (a) amendments to existing legacy term arrangements, (b) renewals of legacy term arrangements and (c) legacy arrangements that are being recognized over time as a result of not previously meeting one or more of the requirements for recognition under the upfront revenue model; and (iv) perpetual arrangements.

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

Our point product arrangements with Premier Plus SMS include SMS for the term of the arrangement. Since we do not have VSOE for our Premier Plus SMS offering, the SMS element of our point product arrangements is not separable. As a result, revenue associated with point product

arrangements with Premier Plus SMS included for the contract term is recognized ratably over the term of the arrangement, once the other revenue recognition criteria have been met.

Perpetual license and legacy arrangements do not include the same rights as those provided to customers under the aspenONE licensing model and point product arrangements with Premier Plus SMS. We continue to have VSOE for the legacy SMS offering provided in support of these license arrangements and can therefore separate the undelivered elements. Accordingly, the license fees for perpetual licenses and legacy arrangements continue to be recognized upon delivery of the software products using the residual method, provided all other revenue recognition requirements have been met.

Services and Other

SMS Revenue

SMS revenue includes the maintenance revenue recognized from arrangements for which we continue to have VSOE for the undelivered SMS offering (legacy SMS offering). For arrangements sold with our legacy SMS offering, SMS renewals are at the option of the customer, and the fair value of SMS is deferred and subsequently amortized over the contractual term of the SMS arrangement.

For arrangements executed under the aspenONE licensing model and beginning in fiscal 2012 for point product arrangements with Premier Plus SMS, we have not established VSOE for the SMS deliverable. As a result, the revenue related to the SMS element of these transactions is reported in subscription and software revenue in the consolidated statements of operations. Prior to fiscal 2012, the revenue related to the SMS deliverable of our point product arrangements, for which we had VSOE, was reported in services and other revenue in the consolidated statements of operations.

We expect legacy SMS revenue to continue to decrease as additional customers transition to our aspenONE licensing model. Beginning in fiscal 2014, we expect that SMS revenue will represent less than 10% of our total revenue, at which time we will include legacy SMS revenue in the subscription and software line in our consolidated statements of operations.

Professional Services Revenue

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

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

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

Accounting for Income Taxes

We utilize the asset and liability method of accounting for income taxes in accordance with ASC 740. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates and statutes that will be in effect when the differences are expected to reverse. Deferred tax assets can result from unused operating losses, research and development (R&D) and foreign tax credit carryforwards and deductions recorded for financial statement purposes prior to them being deductible on a tax return.

The realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of taxable temporary differences. Valuation allowances are provided against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. We consider, among other available information, projected future taxable income, limitations on the availability of net operating loss (NOLs) and tax credit carryforwards, scheduled reversals of deferred tax liabilities and other evidence assessing the potential realization of deferred tax assets. Adjustments to the valuation allowance are included in the provision for (benefit from) income taxes in our consolidated statements of operations in the period they become known or can be estimated.

A significant portion of our U.S. valuation allowance was released in the fourth quarter of fiscal year 2011. Based on the current forecast, we expect that we will utilize all of our U.S. Federal NOLs, foreign tax credits, and R&D credits by fiscal 2016, based on a "with and without" approach. We have retained a full valuation allowance in the U.S. for the deferred tax asset related to capital losses. We also have a valuation allowance on certain foreign subsidiary's NOL carryforwards.

Our provision for (benefit from) income taxes includes amounts determined under the provisions of FIN 48, *Uncertainty in Income Taxes- an Interpretation of FASB Statement No 109*, (currently included as provisions of ASC 740), and is intended to satisfy additional income tax assessments, including interest and penalties, that could result from any tax return positions for which the likelihood of sustaining the position on an audit does not meet a threshold of "more likely than not." Penalties and interest are recorded as a component of our provision for (benefit from) income taxes. Tax liabilities under FIN 48 were recorded as a component of our income taxes payable and other non-current liabilities. The ultimate amount of taxes due will not be known until examinations are completed and settled or the audit periods are closed by statutes.

Our U.S. and foreign tax returns are subject to periodic compliance examinations by various local and national tax authorities through periods defined by the tax code in applicable jurisdictions. The years prior to 2007 are closed in the United States, although the utilization of net operating loss carryforwards and tax credits generated in earlier periods will keep these periods open for examination. Similarly, the years prior to 2010 are closed in the United Kingdom, although the utilization of net operating loss carryforwards generated in earlier periods will keep the periods open for examination. Our Canadian subsidiaries are subject to audit from 2007 forward, and certain other of our international subsidiaries are subject to audit from 2003 forward. In connection with examinations of tax filings, tax contingencies can arise from differing interpretations of applicable tax laws and regulations relative to the amount, timing or proper inclusion or exclusion of revenue and expenses in taxable income or loss. For periods that remain subject to audit, we have asserted and unasserted potential assessments that are subject to final tax settlements.

Loss Contingencies

The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. We accrue estimated liabilities for loss contingencies arising from claims, assessments, litigation and other sources when it is probable that a liability has been incurred and the amount of the claim, assessment or damages can be reasonably estimated. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. In determining whether a loss should be accrued we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the loss amount. Change in these factors could materially impact our consolidated financial statements.

Under the terms of substantially all of our license agreements, we have agreed to indemnify customers for costs and damages arising from claims against such customers based on, among other things, allegations that our software products infringe the intellectual property rights of a third party. In most cases, in the event of an infringement claim, we retain the right to procure for the customer the right to continue using the software product or to replace or modify the software product to eliminate the infringement while providing substantially equivalent functionality. These indemnification provisions are accounted for in accordance with ASC Topic 460, *Guarantees*. In most cases, and where legally enforceable, the indemnification refund is limited to the amount of the license fees paid by the customer.

Recently Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. ASU No. 2013-02 requires entities to present by component significant amounts reclassified out of accumulated other comprehensive income either on the face of the statement where net income is presented or in the notes to the financial statements. ASU No. 2013-02 is effective for annual and interim periods beginning after December 31, 2012 and should be applied prospectively. We adopted ASU No. 2013-02 during fiscal 2013. The adoption of ASU No. 2013-02 did not have a material effect on our financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. ASU No. 2011-05 eliminates the option of presenting components of other comprehensive income as a part of the statement of changes in stockholders' equity. ASU No. 2011-05 requires entities to present all non-owner changes in stockholders' equity either on the face of the financial statements or in the notes. The non-owner changes in stockholders' equity are required to be presented on the face of the financial statements either as a single statement of comprehensive income or as two separate consecutive statements. ASU No. 2011-05 is effective for public entities for annual periods, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. We adopted ASU No. 2011-05 during fiscal 2013. The adoption of ASU No. 2011-05 did not have a material effect on our financial position, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

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

Foreign Currency Risk

During fiscal 2013 and 2012, 19.1% and 21.6% of our total revenue was denominated in a currency other than the U.S. dollar. In addition, certain of our operating costs incurred outside the United States are denominated in currencies other than the U.S. dollar. We conduct business on a worldwide basis and as a result, a portion of our revenue, earnings, net assets, and net investments in foreign affiliates is exposed to changes in foreign currency exchange rates. We measure our net exposure for cash balance positions and for cash inflows and outflows in order to evaluate the need to mitigate our foreign exchange risk. We may enter into foreign currency forward contracts to minimize the impact related to unfavorable exchange rate movements, although we have not done so during fiscal 2013 and fiscal 2012. Our largest exposures to foreign currency exchange rates exist primarily with the Euro, Pound Sterling, Canadian Dollar, and Japanese Yen.

During fiscal 2013 and fiscal 2012, we recorded \$1.2 million and \$3.7 million of net foreign currency exchange losses related to the settlement and remeasurement of transactions denominated in currencies other than the functional currency of our operating units. Our analysis of operating results transacted in various foreign currencies indicated that a hypothetical 10% change in the foreign currency exchange rates could have increased or decreased the consolidated results of operations by approximately \$5.1 million for fiscal 2013 and by approximately \$4.5 million for fiscal 2012, respectively.

Interest Rate Risk

We do not use derivative financial instruments in our investment portfolio. We place our investments in money market instruments and high quality, investment grade, fixed-income corporate debt securities that meet high credit quality standards, as specified in our investment guidelines.

We mitigate the risks by diversifying our investment portfolio and limiting the amount of investments in debt securities of any single issuer. As of June 30, 2013, our debt securities are short- to intermediate-term investments with maturities ranging from less than 1 month to 19 months.

Our analysis of our investment portfolio and interest rates at June 30, 2013 indicated that a 100 basis point increase or decrease in interest rates would result in a decrease or increase of approximately \$0.8 million in the fair value of our investment portfolio determined in accordance with income-based approach utilizing portfolio future cash flows discounted at the appropriate rates. At June 30, 2012, our investment portfolio consisted of money market instruments which were included in cash and cash equivalents on our Consolidated Balance Sheets.

Item 8. Financial Statements and Supplementary Data.

The following consolidated financial statements specified by this Item, together with the reports thereon of KPMG LLP, are presented following Item 15 of this Form 10-K:

Financial Statements:

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Operations for the years ended June 30, 2013, 2012 and 2011
- Consolidated Statements of Comprehensive Income (loss) for the years ended June 30, 2013, 2012 and 2011
- Consolidated Balance Sheets as of June 30, 2013 and 2012
- Consolidated Statements of Stockholders' Equity for the years ended June 30, 2013, 2012 and 2011
- Consolidated Statements of Cash Flows for the years ended June 30, 2013, 2012 and 2011
- Notes to Consolidated Financial Statements

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

a) Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2013. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2013, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for our company. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting as of June 30, 2013 and concluded that, as of June 30, 2013, our internal control over financial reporting was effective.

KPMG LLP, our independent registered public accounting firm, has audited our consolidated financial statements and the effectiveness of our internal control over financial reporting as of June 30, 2013. This report appears below.

c) Changes in Internal Control over Financial Reporting

As previously reported in Item 9A of our Annual Report on Form 10-K for the year ended June 30, 2012, we reported the following material weakness in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act):

- Inadequate and ineffective controls over income tax accounting and disclosure.

As a result of that material weakness in our internal control over financial reporting, our principal financial officer concluded that our internal control over financial reporting was not effective as of June 30, 2012.

During the quarter ended June 30, 2013, no changes (other than those in conjunction with certain remediation efforts described below) were identified in our internal control over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

d) Remediation Efforts

We determined that the following material weakness (reported in our Annual Report on Form 10-K for the year ended June 30, 2012) was remediated as of June 30, 2013:

- Inadequate and ineffective controls over income tax accounting and disclosure

The remediation efforts taken during fiscal 2013, which were evidenced in the fourth quarter, included the following:

- Enhanced tax accounting processes and related controls;
- Increased capabilities of tax professionals to ensure that our accounting for income taxes and related disclosures can be completed accurately and in a timely manner;
- Utilized third-party professionals to review and validate work performed by management in the preparation of our provision for income taxes; and
- Utilized third-party subject matter experts to assist us in determining the appropriate accounting for material and complex tax transactions.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Aspen Technology, Inc.:

We have audited Aspen Technology, Inc.'s and subsidiaries (the "Company") internal control over financial reporting as of June 30, 2013, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained in all material respects, effective internal control over financial reporting as of June 30, 2013, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of June 30, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2013, and our report dated August 15, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Boston, Massachusetts
August 15, 2013

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Incorporation by Reference

Certain information required under this Item 10 will appear under the sections entitled "Executive Officers of the Registrant," "Election of Directors," "Information Regarding our Board of Directors and Corporate Governance," "Code of Business Conduct and Ethics," and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement for our 2013 annual meeting of stockholders, and is incorporated herein by reference.

Item 11. Executive Compensation.

Incorporation by Reference

Certain information required under this Item 11 will appear under the sections entitled "Director Compensation," "Compensation Discussion and Analysis," "Executive Compensation" and "Employment and Change in Control Agreements" in our definitive proxy statement for our 2013 annual meeting of stockholders, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Certain information required under this Item 12 will appear under the sections entitled "Stock Owned by Directors, Executive Officers and Greater-than 5% Stockholders" and "Securities Authorized for Issuance Under Equity Compensation Plans" in our definitive proxy statement for our 2013 annual meeting of stockholders, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Certain information required under this Item 13 will appear under the sections entitled "Information Regarding the Board of Directors and Corporate Governance" and "Related Party Transactions" in our definitive proxy statement for our 2013 annual meeting of stockholders, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Certain information required under this Item 14 will appear under the section entitled "Independent Registered Public Accountants" in our definitive proxy statement for our 2013 annual meeting of stockholders, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements

<u>Description</u>	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Statements of Operations for the years ended June 30, 2013, 2012 and 2011	F-3
Consolidated Statements of Comprehensive Income (Loss) for the years ended June 30, 2013, 2012 and 2011	F-4
Consolidated Balance Sheets as of June 30, 2013 and 2012	F-5
Consolidated Statements of Stockholders' Equity for the years ended June 30, 2013, 2012 and 2011	F-6
Consolidated Statements of Cash Flows for the years ended June 30, 2013, 2012 and 2011	F-7
Notes to Consolidated Financial Statements	F-8

The consolidated financial statements appear immediately following page 67 ("Signatures").

(a)(2) Financial Statement Schedules

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

(a)(3) Exhibits

The exhibits listed in the accompanying exhibit index are filed or incorporated by reference as part of this Form 10-K.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JOAN C. MCARDLE</u> Joan C. McArdle	Director	August 15, 2013
<u>/s/ SIMON OREBI GANN</u> Simon Orebi Gann	Director	August 15, 2013

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Statements of Operations for the years ended June 30, 2013, 2012 and 2011	F-3
Consolidated Statements of Comprehensive Income (Loss) for the years ended June 30, 2013, 2012 and 2011	F-4
Consolidated Balance Sheets as of June 30, 2013 and 2012	F-5
Consolidated Statements of Stockholders' Equity for the years ended June 30, 2013, 2012 and 2011	F-6
Consolidated Statements of Cash Flows for the years ended June 30, 2013, 2012 and 2011	F-7

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Aspen Technology, Inc.:

We have audited the accompanying consolidated balance sheets of Aspen Technology, Inc. and subsidiaries (the "Company") as of June 30, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2013, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 15, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Boston, Massachusetts
August 15, 2013

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended June 30,		
	2013	2012	2011
(Dollars in Thousands, Except per Share Data)			
Revenue:			
Subscription and software	\$ 239,654	\$ 166,688	\$ 103,699
Services and other	71,733	76,446	94,455
Total revenue	<u>311,387</u>	<u>243,134</u>	<u>198,154</u>
Cost of revenue:			
Subscription and software	12,788	10,617	5,213
Services and other	37,560	41,660	47,132
Total cost of revenue	<u>50,348</u>	<u>52,277</u>	<u>52,345</u>
Gross profit	<u>261,039</u>	<u>190,857</u>	<u>145,809</u>
Operating expenses:			
Selling and marketing	93,655	96,400	90,771
Research and development	62,516	56,218	50,820
General and administrative	49,273	53,547	59,041
Restructuring charges	(5)	(301)	(247)
Total operating expenses	<u>205,439</u>	<u>205,864</u>	<u>200,385</u>
Income (loss) from operations	55,600	(15,007)	(54,576)
Interest income	3,379	7,578	13,075
Interest expense	(424)	(4,204)	(5,138)
Other (expense) income, net	(1,117)	(3,519)	2,919
Income (loss) before provision for (benefit from) income taxes	57,438	(15,152)	(43,720)
Provision for (benefit from) income taxes(1)	12,176	(1,344)	(53,977)
Net income (loss)(1)	<u>\$ 45,262</u>	<u>\$ (13,808)</u>	<u>\$ 10,257</u>
Net income (loss) per common share:			
Basic	\$ 0.48	\$ (0.15)	\$ 0.11
Diluted	\$ 0.47	\$ (0.15)	\$ 0.11
Weighted average shares outstanding:			
Basic	93,586	93,780	93,488
Diluted	95,410	93,780	95,853

- (1) Our provision for income taxes provided a net benefit of \$54.0 million in fiscal 2011, due to the reversal of a significant portion of our U.S. valuation allowance in the fourth quarter of fiscal 2011. See Note 8 to our Consolidated Financial Statements, "Income Taxes," for further information.

See accompanying notes to these consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended June 30,		
	2013	2012	2011
	(Dollars in Thousands)		
Net income (loss)	\$ 45,262	\$ (13,808)	\$ 10,257
Other comprehensive (loss) income:			
Net unrealized losses on available for sale securities, net of tax effects of \$28	(52)	—	—
Foreign currency translation adjustments	(780)	(1,020)	1,590
Total other comprehensive (loss) income	(832)	(1,020)	1,590
Comprehensive income (loss)	<u>\$ 44,430</u>	<u>\$ (14,828)</u>	<u>\$ 11,847</u>

See accompanying notes to these consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30,	
	2013	2012
	(Dollars in Thousands, Except Share Data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 132,432	\$ 165,242
Short-term marketable securities	57,015	—
Accounts receivable, net	36,988	31,450
Current portion of installments receivable, net	13,769	33,184
Collateralized receivables	—	6,297
Unbilled services	1,965	1,592
Prepaid expenses and other current assets	9,665	16,219
Prepaid income taxes	288	283
Current deferred tax assets	33,229	7,196
Total current assets	<u>285,351</u>	<u>261,463</u>
Long-term marketable securities	35,353	—
Non-current installments receivable, net	963	14,046
Property, equipment and leasehold improvements, net	7,829	7,037
Computer software development costs, net	1,742	1,689
Goodwill	19,132	19,399
Non-current deferred tax assets	25,250	58,559
Other non-current assets	7,128	6,142
Total assets	<u>\$ 382,748</u>	<u>\$ 368,335</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Secured borrowings	\$ —	\$ 10,756
Accounts payable	846	2,566
Accrued expenses and other current liabilities	34,421	37,989
Income taxes payable	1,697	598
Current deferred revenue	178,341	143,578
Current deferred tax liabilities	156	232
Total current liabilities	<u>215,461</u>	<u>195,719</u>
Non-current deferred revenue	53,012	43,595
Other non-current liabilities	12,377	15,429
Commitments and contingencies (Note 9)		
Series D redeemable convertible preferred stock, \$0.10 par value—Authorized—3,636 shares as of June 30, 2013 and 2012 Issued and outstanding—none as of June 30, 2013 and 2012	—	—
Stockholders' equity:		
Common stock, \$0.10 par value—Authorized—210,000,000 shares Issued—99,945,545 shares at June 30, 2013 and 96,663,580 shares at June 30, 2012 Outstanding—93,683,769 shares at June 30, 2013 and 93,465,955 shares at June 30, 2012	9,995	9,666
Additional paid-in capital	575,770	547,546
Accumulated deficit	(349,817)	(395,079)
Accumulated other comprehensive income	7,263	8,095
Treasury stock, at cost—6,261,776 shares of common stock at June 30, 2013 and 3,197,625 at June 30, 2012	(141,313)	(56,636)
Total stockholders' equity	<u>101,898</u>	<u>113,592</u>
Total liabilities and stockholders' equity	<u>\$ 382,748</u>	<u>\$ 368,335</u>

See accompanying notes to these consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock		Total Stockholders' Equity
	Number of Shares	\$0.10 Par Value				Number of Shares	Cost	
	(Dollars in Thousands, Except Share Data)							
Balance June 30, 2010	92,668,280	\$ 9,267	\$ 515,729	\$ (391,038)	\$ 7,525	233,464	\$ (513)	\$ 140,970
Comprehensive income:								
Net income	—	—	—	10,257	—	—	—	10,257
Other comprehensive income	—	—	—	—	1,590	—	—	1,590
Exercise of stock options	1,506,969	150	9,553	—	—	—	—	9,703
Issuance of restricted stock units	572,862	58	(3,943)	—	—	—	—	(3,885)
Conversion of warrants	424,753	42	(42)	—	—	—	—	—
Retirement of treasury stock	(233,464)	(23)	—	(490)	—	(233,464)	513	—
Repurchase of common stock	—	—	—	—	—	701,030	(10,531)	(10,531)
Stock-based compensation	—	—	9,699	—	—	—	—	9,699
Balance June 30, 2011	<u>94,939,400</u>	<u>9,494</u>	<u>530,996</u>	<u>(381,271)</u>	<u>9,115</u>	<u>701,030</u>	<u>(10,531)</u>	<u>157,803</u>
Comprehensive loss:								
Net loss	—	—	—	(13,808)	—	—	—	(13,808)
Other comprehensive loss	—	—	—	—	(1,020)	—	—	(1,020)
Exercise of stock options	1,204,010	120	8,793	—	—	—	—	8,913
Issuance of restricted stock units	520,170	52	(4,649)	—	—	—	—	(4,597)
Repurchase of common stock	—	—	—	—	—	2,496,595	(46,105)	(46,105)
Stock-based compensation	—	—	12,406	—	—	—	—	12,406
Balance June 30, 2012	<u>96,663,580</u>	<u>9,666</u>	<u>547,546</u>	<u>(395,079)</u>	<u>8,095</u>	<u>3,197,625</u>	<u>(56,636)</u>	<u>113,592</u>
Comprehensive income (loss):								
Net income	—	—	—	45,262	—	—	—	45,262
Other comprehensive loss	—	—	—	—	(832)	—	—	(832)
Exercise of stock options	2,743,772	275	20,868	—	—	—	—	21,143
Issuance of restricted stock units	538,193	54	(7,759)	—	—	—	—	(7,705)
Repurchase of common stock	—	—	—	—	—	3,064,151	(84,677)	(84,677)
Stock-based compensation	—	—	14,637	—	—	—	—	14,637
Excess tax benefits from stock-based compensation	—	—	478	—	—	—	—	478
Balance June 30, 2013	<u>99,945,545</u>	<u>\$ 9,995</u>	<u>\$ 575,770</u>	<u>\$ (349,817)</u>	<u>\$ 7,263</u>	<u>6,261,776</u>	<u>\$ (141,313)</u>	<u>\$ 101,898</u>

See accompanying notes to these consolidated financial statements.

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

	Year Ended June 30,		
	2013	2012	2011
(Dollars in Thousands)			
Cash flows from operating activities:			
Net income (loss)	\$ 45,262	\$ (13,808)	\$ 10,257
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	5,229	5,278	5,336
Net foreign currency (gain) loss	(952)	953	(2,167)
Stock-based compensation	14,637	12,406	9,699
Deferred income taxes	5,127	(4,827)	(64,264)
Provision for bad debts	489	22	(2,755)
Write-down of investment	—	—	600
Excess tax benefits from stock-based compensation	(478)	—	—
Other non-cash operating activities	818	(1,695)	453
Changes in assets and liabilities:			
Accounts receivable	(6,094)	(4,285)	5,981
Unbilled services	(380)	734	(477)
Prepaid expenses, prepaid income taxes, and other assets	3,827	(3,918)	(773)
Installments and collateralized receivables	39,419	57,003	72,752
Accounts payable, accrued expenses and other liabilities	(4,947)	(1,583)	(12,758)
Deferred revenue	44,605	58,357	41,446
Net cash provided by operating activities	<u>146,562</u>	<u>104,637</u>	<u>63,330</u>
Cash flows from investing activities:			
Purchase of marketable securities	(97,597)	—	—
Maturities of marketable securities	4,549	—	—
Purchase of property, equipment and leasehold improvements	(4,507)	(4,241)	(2,839)
Insurance proceeds	2,222	—	—
Purchase of technology intangibles	(902)	—	—
Payments for acquisitions, net of cash acquired	—	(2,617)	—
Capitalized computer software development costs	(1,156)	(511)	(1,990)
Net cash used in investing activities	<u>(97,391)</u>	<u>(7,369)</u>	<u>(4,829)</u>
Cash flows from financing activities:			
Exercise of stock options and warrants	21,143	8,913	9,703
Proceeds from secured borrowings	—	4,982	2,500
Repayments of secured borrowings	(11,010)	(44,892)	(32,051)
Repurchases of common stock	(84,677)	(46,105)	(10,531)
Payment of tax withholding obligations related to restricted stock	(7,705)	(4,597)	(3,885)
Excess tax benefits from stock-based compensation	478	—	—
Net cash used in financing activities	<u>(81,771)</u>	<u>(81,699)</u>	<u>(34,264)</u>
Effect of exchange rate changes on cash and cash equivalents	(210)	(312)	803
(Decrease) increase in cash and cash equivalents	(32,810)	15,257	25,040
Cash and cash equivalents, beginning of year	165,242	149,985	124,945
Cash and cash equivalents, end of year	<u>\$ 132,432</u>	<u>\$ 165,242</u>	<u>\$ 149,985</u>
Supplemental disclosure of cash flow information:			
Income tax paid (refunded), net	\$ 4,645	\$ 2,707	\$ (2,112)
Interest paid	424	4,206	5,476

See accompanying notes to these consolidated financial statements.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Operations

Aspen Technology, Inc., together with its subsidiaries, is a leading global provider of mission-critical process optimization software solutions, which are designed to manage and optimize plant and process design, operational performance, and supply chain planning. Our aspenONE software and related services have been developed for companies in the process industries, which consist of energy, chemicals, engineering and construction, as well as consumer packaged goods, power, metals and mining, pulp and paper, pharmaceuticals and biofuels. Customers use our solutions to improve their competitiveness and profitability by increasing throughput and productivity, reducing operating costs, enhancing capital efficiency, and decreasing working capital requirements. We operate globally in 30 countries as of June 30, 2013.

(2) Significant Accounting Policies

(a) Principles of Consolidation

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

Reclassifications

Certain line items in prior period financial statements have been reclassified to conform to currently reported presentations.

(b) Management Estimates

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

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with remaining maturities of three months or less when purchased.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

(d) Marketable Securities

The following table summarizes the fair value, the amortized cost and unrealized holding gains (losses) on our marketable securities as of June 30, 2013:

	<u>Fair Value</u>	<u>Cost</u> <u>(Dollars in Thousands)</u>	<u>Unrealized</u> <u>Gains</u>	<u>Unrealized</u> <u>Losses</u>
U.S. corporate bonds	\$ 57,015	\$ 57,046	\$ 8	\$ (39)
Total short-term marketable securities	<u>\$ 57,015</u>	<u>\$ 57,046</u>	<u>\$ 8</u>	<u>\$ (39)</u>
U.S. corporate bonds	\$ 35,353	\$ 35,402	\$ —	\$ (49)
Total long-term marketable securities	<u>\$ 35,353</u>	<u>\$ 35,402</u>	<u>\$ —</u>	<u>\$ (49)</u>

Our marketable securities are classified as available-for-sale and reported at fair value on the consolidated balance sheets. Net unrealized losses are reported as a separate component of accumulated other comprehensive income, net of tax. Realized gains and losses on investments are recognized in earnings as incurred. Our investments consist primarily of investment grade fixed income corporate debt securities with maturity dates ranging from July 2013 through February 2015.

We review our marketable securities for impairment at each reporting period to determine if any of our securities have experienced an other-than-temporary decline in fair value in accordance with the provisions of ASC Topic 320, *Investments—Debt and Equity Securities*. We consider factors, such as the length of time and extent to which the market value has been less than the cost, the financial condition and near-term prospects of the issuer and our intent to sell, or whether it is more likely than not we will be required to sell, the investment before recovery of its amortized cost basis. If we believe that other-than-temporary decline in fair value has occurred, we write down investments to fair value and recognize credit losses in earnings and other impairment losses in accumulated other comprehensive income. During fiscal 2013, our marketable securities were not considered other-than-temporarily impaired and, as such, we did not recognize impairment losses during the period then ended. Unrealized losses are attributable to changes in interest rates.

(e) Property and Equipment

Property and equipment are stated at cost. We provide for depreciation and amortization, primarily computed using the straight-line method, by charges to operations in amounts estimated to allocate the cost of the assets over their estimated useful lives, as follows:

<u>Asset Classification</u>	<u>Estimated Useful Life</u>
Computer equipment	3 years
Purchased software	3 - 5 years
Furniture and fixtures	3 - 10 years
Leasehold improvements	Life of lease or asset, whichever is shorter

Depreciation expense was \$3.4 million, \$3.5 million and \$3.8 million for fiscal 2013, 2012 and 2011, respectively.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(2) Significant Accounting Policies (Continued)****(f) Revenue Recognition****Overview of Licensing Model Changes****Transition to the aspenONE Licensing Model**

Prior to fiscal 2010, we offered term or perpetual licenses to specific products, or specifically defined sets of products, which we refer to as point products. The majority of our license revenue was recognized under an "upfront revenue model," in which the net present value of the aggregate license fees was recognized as revenue upon shipment of the point products. Customers typically received one year of post-contract software maintenance and support, or SMS, with their license agreements and then could elect to renew SMS annually. Revenue from SMS was recognized ratably over the period in which the SMS was delivered.

In fiscal 2010, we introduced the following changes to our licensing model:

- (i) We began offering our aspenONE software on a subscription basis, allowing our customers access to all products within a licensed suite (aspenONE Engineering or aspenONE Manufacturing and Supply Chain). SMS is included for the entire term of the arrangement and customers are entitled to any software products or updates introduced into the licensed suite. We refer to this license arrangement as our aspenONE licensing model.
- (ii) We began to include SMS for the entire term on our point product term arrangements.

Revenue related to our aspenONE licensing model is recognized over the term of the arrangement on a ratable basis. During fiscal 2010 and 2011, license revenue related to our point product arrangements with SMS included for the entire term of the arrangement was generally recognized on the due date of each annual installment, provided all revenue recognition criteria were met. Beginning in fiscal 2012, with the introduction of our Premier Plus SMS offering, we were unable to establish evidence of the fair value for the SMS component, and revenue from these arrangements is now recognized on a ratable basis.

The changes to our licensing model introduced in fiscal 2010 did not change the method or timing of customer billings or cash collections. Since the introduction of these changes, our net cash provided by operating activities has increased in each annual period from \$33.0 million in fiscal 2009 to \$146.6 million in fiscal 2013. During these periods we have realized steadily improving cash flow due to growth of our portfolio of term license contracts, as well as from the renewal of customer contracts, on an installment basis, that were previously paid upfront.

Impact of Licensing Model Changes

The principal accounting implications of the changes to our licensing model in fiscal 2010 are as follows:

- Prior to fiscal 2010, the majority of our license revenue was recognized on an upfront basis. Since the upfront model resulted in the net present value of multiple years of future installments being recognized at the time of shipment, the changes to our licensing model resulted in a significant reduction in our software license revenue for fiscal 2010, 2011 and 2012 as compared to the fiscal years preceding our licensing model changes. These changes did not impact the

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(2) Significant Accounting Policies (Continued)**

incurrence or timing of our expenses, and there was no corresponding expense reduction to offset the lower revenue, resulting in operating losses for fiscal 2010, 2011 and 2012.

- The SMS component of our services and other revenue has decreased, and been offset by a corresponding increase in subscription and software revenue as customers have transitioned to our aspenONE licensing model. Under our aspenONE licensing model and for point product arrangements with Premier Plus SMS included for the full contract term, the entire arrangement fee, including the SMS component, is included within subscription and software revenue.
- Installment payments from aspenONE agreements and from point product arrangements with SMS included for the contract term are not considered fixed or determinable, and as a result, are not included in installments receivable. Accordingly, our installments receivable balance has decreased as licenses previously executed under our upfront revenue model reached the end of their terms.
- The amount of our deferred revenue has increased as more revenue from our term license portfolio has been recognized on a ratable basis.

Introduction of our Premier Plus SMS Offering

Beginning in fiscal 2012, we introduced our Premier Plus SMS offering to provide more value to our customers. As part of this offering, customers receive 24x7 support, faster response times, dedicated technical advocates and access to web-based training modules. The Premier Plus SMS offering is only provided to customers that commit to SMS for the entire term of the arrangement. Our annually renewable legacy SMS offering continues to be available to customers with legacy term and perpetual license agreements.

The introduction of our Premier Plus SMS offering in fiscal 2012 resulted in a change to the revenue recognition of point product arrangements that include Premier Plus SMS for the term of the arrangement. Since we do not have vendor-specific objective evidence of fair value, or VSOE, for our Premier Plus SMS offering, the SMS element of our point product arrangements is not separable, resulting in revenue being recognized ratably over the term of the arrangement, once the other revenue recognition criteria have been met. Prior to fiscal 2012, license revenue was recognized on the due date of each annual installment, provided all revenue recognition criteria were met. The introduction of our Premier Plus SMS offering did not change the revenue recognition for our aspenONE licensing arrangements.

Revenue Recognition

We generate revenue from the following sources: (1) licensing software products; (2) providing SMS and training; and (3) providing professional services. We sell our software products to end users under fixed-term and perpetual licenses. As a standard business practice, we offer extended payment term options for our fixed-term license arrangements, which are generally payable on an annual basis. Certain of our fixed-term license agreements include product mixing rights that allow customers the flexibility to change or alternate the use of multiple products included in the license arrangement after those products are delivered to the customer. We refer to these arrangements as token arrangements. Tokens are fixed units of measure. The amount of software usage is limited by the number of tokens purchased by the customer.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

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

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

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

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

Under our upfront revenue model, we are able to demonstrate that the fees are fixed or determinable for all arrangements, including those for our term licenses that contain extended payment terms. We have an established history of collecting under the terms of these contracts without providing concessions to customers. In addition, we also assess whether a contract modification to an existing term arrangement constitutes a concession. In making this assessment, significant analysis is performed to ensure that no concessions are given. Our software license agreements do not include a right of return or exchange. For license arrangements executed under the upfront revenue model, we recognize license revenue upon delivery of the software product, provided all other revenue recognition requirements are met.

We cannot assert that the fees under our aspenONE licensing model and point product arrangements with Premier Plus SMS are fixed or determinable because the rights provided to customers, and the economics of the arrangements, are not comparable to our transactions with other customers under the upfront revenue model. As a result, the amount of revenue recognized for these arrangements is limited by the amount of customer payments that become due.

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

Vendor-Specific Objective Evidence of Fair Value

We have established VSOE for certain SMS offerings, professional services, and training, but not for our software products or our Premier Plus SMS offering. We assess VSOE for SMS, professional services, and training, based on an analysis of standalone sales of the offerings using the bell-shaped curve approach. During fiscal 2011, we used optional renewals of SMS on our legacy term license arrangements to support VSOE for SMS included in our fixed term point product arrangements which include SMS for the term of the arrangement. We do not have a history of selling our Premier Plus SMS offering to customers on a standalone basis, and as a result are unable to establish VSOE for this new deliverable.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(2) Significant Accounting Policies (Continued)**

We allocate the arrangement consideration among the elements included in our multi-element arrangements using the residual method. Under the residual method, the VSOE of the undelivered elements is deferred and the remaining portion of the arrangement fee for perpetual and term licenses is recognized as revenue upon delivery of the software, assuming all other revenue recognition criteria are met. If VSOE does not exist for an undelivered element in an arrangement, revenue is deferred until such evidence does exist for the undelivered elements, or until all elements are delivered, whichever is earlier. Under the upfront revenue model, the residual license fee is recognized upon delivery of the software provided all other revenue recognition criteria were met. Arrangements that qualify for upfront recognition include sales of perpetual licenses, amendments to existing legacy term arrangements and renewals of legacy term arrangements.

Subscription and Software Revenue

Subscription and software revenue consists of product and related revenue from our (i) aspenONE licensing model, including SMS; (ii) point product arrangements with our Premier Plus SMS offering included for the contract term; (iii) legacy arrangements including (a) amendments to existing legacy term arrangements, (b) renewals of legacy term arrangements and (c) legacy arrangements that are being recognized over time as a result of not previously meeting one or more of the requirements for recognition under the upfront revenue model; and (iv) perpetual arrangements.

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

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

Perpetual license and legacy arrangements do not include the same rights as those provided to customers under the aspenONE licensing model and point product arrangements with Premier Plus SMS. We continue to have VSOE for the legacy SMS offering provided in support of these license arrangements and can therefore separate the undelivered elements. Accordingly, the license fees for perpetual licenses and legacy arrangements continue to be recognized upon delivery of the software products using the residual method, provided all other revenue recognition requirements have been met.

Results of Operations Classification—Subscription and Software Revenue

Prior to fiscal 2012, subscription and software revenue were each classified separately on our consolidated statements of operations, because each type of revenue had different revenue recognition characteristics, and the amount of revenue attributable to each was material in relation to our total revenue. Additionally, we were able to separate the residual amount of software revenue related to the

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(2) Significant Accounting Policies (Continued)

software component of our point product arrangements which included SMS for the contract term, based on the VSOE for the SMS element.

As a result of the introduction of our Premier Plus SMS offering in the first quarter of fiscal 2012, the substantial majority of our product-related revenue is now recognized on a ratable basis, over the term of the arrangement. Since the distinction between subscription and point product ratable revenue does not represent a meaningful difference from either a line of business or revenue recognition perspective, we have combined our subscription and software revenue into a single line item on our consolidated statements of operations beginning in the first quarter of fiscal 2012.

The following table summarizes the changes to our revenue classifications and the timing of revenue recognition of subscription and software revenue for fiscal 2013 and 2012 compared to fiscal 2011. Ratable revenue refers to product revenue that is recognized evenly over the term of the related agreement, beginning when the first payment becomes due. The residual method refers to the recognition of the difference between the total arrangement fee and the undiscounted VSOE for the undelivered element, assuming all other revenue recognition requirements have been met.

Type of Revenue:	Revenue Classification in Income Statement		Revenue Recognition Methodology	
	Fiscal 2013 and 2012	Fiscal 2011	Fiscal 2013 and 2012	Fiscal 2011
	aspenONE subscription	Subscription and software	Subscription	Ratable
Point products				
—Software	Subscription and software	Software	Ratable	Residual method
—Bundled SMS	Subscription and software	Services and other	Ratable	Ratable
Other				
—Legacy arrangements	Subscription and software	Software	Residual method	Residual method
—Perpetual arrangements	Subscription and software	Software	Residual method	Residual method

The following tables reconcile the amount of revenue recognized during fiscal 2013, 2012 and 2011, based on the revenue recognition methodology. As illustrated below, the introduction of our Premier Plus SMS offering in the first quarter of fiscal 2012 has resulted in a substantial majority of our subscription and software revenue being recognized on a ratable basis in fiscal 2013 and 2012.

Subscription and software revenue:	Year Ended, June 30			Year Ended, June 30		
	2013	2012	2011	2013	2012	2011
	(Dollars in Thousands)			% of Total		
Ratable(1)	\$ 225,064	\$ 144,144	\$ 58,459	93.9%	86.5%	56.4%
Residual method(2)	14,590	22,544	45,240	6.1	13.5	43.6
Subscription and software revenue	<u>\$ 239,654</u>	<u>\$ 166,688</u>	<u>\$ 103,699</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

- (1) During fiscal 2011, the fair value of the SMS element of point product arrangements totaled \$2.1 million and was presented in the consolidated statements of operations as services and other revenue. Effective July 1, 2011, the fee attributable to the SMS in point product arrangements is no longer separable since we are unable to establish VSOE, and as a result, is included within ratable revenue.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

(2) Residual method revenue detail

	Year Ended, June 30		
	2013	2012	2011
	(Dollars in Thousands)		
Residual method revenue:			
Point products—Software	*	*	\$ 20,190
Legacy arrangements	13,008	20,586	22,761
Perpetual arrangements	1,582	1,958	2,289
Total residual method revenue	\$ 14,590	\$ 22,544	\$ 45,240

* Effective July 1, 2011, the total combined arrangement fee (which includes the fee attributable to SMS) for point product arrangements with Premier Plus SMS is recognized on a ratable basis.

Services and Other

SMS Revenue

SMS revenue includes the maintenance revenue recognized from arrangements for which we continue to have VSOE for the undelivered SMS offering (legacy SMS offering). For arrangements sold with our legacy SMS offering, SMS renewals are at the option of the customer, and the fair value of SMS is deferred and subsequently amortized over the contractual term of the SMS arrangement.

For arrangements executed under the aspenONE licensing model or where point product licenses are sold with Premier Plus SMS for the contract term, the customer commits to SMS for the entire term of the arrangement. The revenue related to the SMS component of the aspenONE licensing model is reported in subscription and software revenue in the consolidated statements of operations.

During fiscal 2011, the revenue related to the SMS deliverable of our point product licenses, for which we had VSOE, was reported in services and other revenue in the consolidated statements of operations. Beginning in fiscal 2012, we introduced a Premier Plus SMS offering to provide more value to our customers. We have not established VSOE for the Premier Plus SMS deliverable. As a result, the revenue related to the SMS element of these transactions is reported in subscription and software revenue in the consolidated statements of operations.

Professional Services Revenue

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

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

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

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

Deferred Revenue

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

For arrangements under the upfront revenue model, a portion of the arrangement fee is generally recorded as deferred revenue due to the inclusion of an undelivered element, typically our legacy SMS offering or professional services. The amount of revenue allocated to undelivered elements is based on the VSOE for those elements using the residual method, and is earned and recognized as revenue as each element is delivered.

Other Licensing Matters

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

Our agreements with our customers generally require us to indemnify the customer against claims that our software infringes third-party patent, copyright, trademark or other proprietary rights. Such indemnification obligations are generally limited in a variety of industry-standard respects, including our right to replace an infringing product. As of June 30, 2013, we had not experienced any material losses related to these indemnification obligations and no claims with respect thereto were outstanding. We do not expect significant claims related to these indemnification obligations, and consequently, have not established any related reserves.

(g) Installments Receivable

Installments receivable resulting from product sales under the upfront revenue model are discounted to present value at prevailing market rates at the date the contract is signed, taking into

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

consideration the customer's credit rating. The finance element is recognized using the effective interest method over the relevant license term and is classified as interest income. Installments receivable are classified as current and non-current in our consolidated balance sheets based on the maturity date of the related installment. Non-current installments receivable consist of receivables with a due date greater than one year from the period-end date. Current installments receivable consist of invoices with a due date of less than one year but greater than 45 days from the period-end date. Once an installments receivable invoice becomes due within 45 days, it is reclassified as a trade accounts receivable in our consolidated balance sheets. As a result, we did not have any past due installments receivable as of June 30, 2013.

Our non-current installments receivable are within the scope of Accounting Standards Update (ASU) No. 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. As our portfolio of financing receivables arises from the sale of our software licenses, the methodology for determining our allowance for doubtful accounts is based on the collective population of receivables and is not stratified by class or portfolio segment. We consider factors such as existing economic conditions, country risk, and customers' credit rating and past payment history in determining our allowance for doubtful accounts. We reserve against our installments receivable when the related trade accounts receivable have been past due for over a year, or when there is a specific risk of uncollectability. Our specific reserve reflects the full value of the related installments receivable for which collection has been deemed uncertain. Our specific reserve represented 96% and 89% of our total installments receivable allowance for doubtful accounts at June 30, 2013 and June 30, 2012, respectively. In instances when an installment receivable that is reserved ages into a trade account receivable, the related reserve is transferred to our trade accounts receivable allowance.

We write-off receivables when they are considered uncollectable based on our judgment. In instances when we write-off specific customers' trade accounts receivable, we also write off any related current and non-current installments receivable balances.

As of June 30, 2013, our gross current and non-current installments receivable of \$14.4 million and \$1.1 million are presented net of unamortized discounts of \$0.6 million and \$0.1 million and net of allowance for doubtful accounts of less than \$0.1 million, respectively.

As of June 30, 2012, our gross current and non-current installments receivable of \$35.0 million and \$15.9 million are presented net of unamortized discounts of \$1.6 million and \$1.8 million, and net of allowance for doubtful accounts of \$0.2 million and less than \$0.1 million, respectively.

Provisions for bad debts, receivables write offs and recoveries of receivables previously written off were not significant during fiscal 2013 and fiscal 2012, respectively. Transfers to allowance for doubtful accounts related to trade accounts receivable were not significant during fiscal 2013 and amounted to \$0.8 million during fiscal 2012. Our allowance for doubtful accounts for current and non-current installments receivable was \$0.8 million and \$0.1 million as of June 30, 2011.

Under the aspenONE licensing model and for point product arrangements with Premier Plus SMS included for the contract term, the installment payments are not considered fixed or determinable and, as a result, are not included as installments receivable on our consolidated balance sheet.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

(h) Allowance for Doubtful Accounts and Discounts

We make judgments as to our ability to collect outstanding receivables and provide allowances for the portion of receivables when a loss is reasonably expected to occur. The allowance for doubtful accounts is established to represent the best estimate of the net realizable value of the outstanding accounts receivable. The development of the allowance for doubtful accounts is based on a review of past due amounts, historical write-off and recovery experience, as well as aging trends affecting specific accounts and general operational factors affecting all accounts. In addition, factors are developed utilizing historical trends in bad debts, returns and allowances.

We consider current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If circumstances relating to specific customers change or unanticipated changes occur in the general business environment, our estimates of the recoverability of receivables could be further adjusted.

The following table presents our allowance for doubtful accounts activity for accounts receivable in fiscal 2013 and 2012, respectively:

	Year Ended June 30,	
	2013	2012
	(Dollars in Thousands)	
Balance, beginning of year	\$ 1,982	\$ 1,884
Provision for bad debts	521	567
Write-offs	(888)	(468)
Balance, end of year	<u>\$ 1,615</u>	<u>\$ 1,982</u>

The following table summarizes our accounts receivable, net of the related allowance for doubtful accounts, as of June 30, 2013 and 2012. Collateralized receivables are presented in the consolidated balance sheets and in the table below as of June 30, 2012, net of discounts for future interest established at inception of the installment arrangement.

	Gross	Unamortized Discounts	Allowance	Net
	(Dollars in Thousands)			
June 30, 2013:				
Accounts Receivable	\$ 38,603	\$ —	\$ 1,615	\$ 36,988
	<u>\$ 38,603</u>	<u>\$ —</u>	<u>\$ 1,615</u>	<u>\$ 36,988</u>
June 30, 2012:				
Accounts Receivable	\$ 33,432	\$ —	\$ 1,982	\$ 31,450
Collateralized Receivables- current	6,500	203	—	6,297
	<u>\$ 39,932</u>	<u>\$ 203</u>	<u>\$ 1,982</u>	<u>\$ 37,747</u>

Collateralized receivables were collected in full or repurchased during the second quarter of fiscal 2013. Repurchased receivables, net of discounts for future interest, were reclassified into accounts receivable or installments receivable during the period then ended.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

(i) Fair Value of Financial Instruments

We determine fair value of financial and non-financial assets and liabilities in accordance with provisions of ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Inputs—Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs—Inputs other than quoted prices included in Level 1 that are observable for an asset or a liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for an asset or a liability (such as interest rates, yield curves, volatilities, prepayment speeds, credit risks, etc.), or inputs that are derived principally from or corroborated by market data by correlation or other means.
- Level 3 Inputs—Unobservable inputs for determining fair values of assets or liabilities that reflect an entity's own assumptions in pricing assets or liabilities.

Cash Equivalents. Cash equivalents are reported at fair value utilizing quoted market prices in identical markets, or "Level 1 Inputs." Our cash equivalents consist of short-term, highly liquid investments with remaining maturities of three months or less when purchased.

Marketable Securities. Marketable securities are reported at fair value calculated in accordance with the market approach, utilizing market consensus pricing models with quoted prices that are directly or indirectly observable, or "Level 2" inputs.

Financial instruments not measured or recorded at fair value in the accompanying consolidated balance sheets consist of accounts receivable, installments receivable, collateralized receivables, accounts payable and secured borrowings. The estimated fair value of accounts receivable, installments receivable, collateralized receivables and accounts payable approximates their carrying value. The estimated fair value of secured borrowings exceeded the carrying value by \$0.2 million as of June 30, 2012. Secured borrowings were repaid in full or repurchased during fiscal 2013. The fair value of secured borrowings was calculated using the market approach, utilizing interest rates that were indirectly observable in markets for similar liabilities, or "Level 2 Inputs."

The following table summarizes financial assets and financial liabilities measured and recorded at fair value on a recurring basis in the accompanying consolidated balance sheets as of June 30, 2013 and

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

2012, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements at Reporting Date Using	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	(Dollars in Thousands)	
June 30, 2013:		
Assets:		
Cash equivalents	\$ 117,010	\$ —
Marketable securities	—	92,368
June 30, 2012:		
Assets:		
Cash equivalents	\$ 144,009	\$ —
Liabilities:		
Secured borrowings	—	10,939

At June 30, 2013 and 2012, we did not have any assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Certain non-financial assets, including goodwill, finite-lived intangible assets and other non-financial long-lived assets, are measured at fair value using market and income approaches on a non-recurring basis when there is an indication of impairment.

(j) Computer Software Development Costs

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. We define the establishment of technological feasibility as the completion of a detailed program design. Amortization of capitalized computer software development costs is provided on a product-by-product basis using the greater of (a) the amount computed using the ratio that current gross revenue for a product bears to total of current and anticipated future gross revenue for that product or (b) the straight-line method, beginning upon commercial release of the product, and continuing over the remaining estimated economic life of the product, not to exceed three years.

Software for internal use is capitalized in accordance with ASC Topic 350-40, *Intangibles Goodwill and Other—Internal Use Software*. At each balance sheet date, we evaluate the unamortized capitalized software costs for potential impairment by comparing the balance to the net realizable value of the products. Total computer software costs capitalized were \$1.2 million, \$0.5 million and \$2.0 million during the years ended June 30, 2013, 2012 and 2011, respectively. Total amortization expense charged to operations was approximately \$1.1 million, \$1.6 million and \$1.5 million for the years ended June 30, 2013, 2012 and 2011, respectively. Computer software development accumulated amortization totaled \$71.5 million, \$70.5 million and \$68.9 million as of June 30, 2013 and 2012, respectively.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

(k) Foreign Currency Translation

The determination of the functional currency of subsidiaries is based on the subsidiaries' financial and operational environment and is the local currency of the subsidiary. Gains and losses from foreign currency translation related to entities whose functional currency is their local currency are credited or charged to accumulated other comprehensive income included in stockholders' equity in the consolidated balance sheets. In all instances, foreign currency transaction gains or losses are credited or charged to the consolidated statements of operations as incurred as a component of other (expense) income, net. Foreign currency transaction (losses) gains were (\$1.2) million, \$(3.7) million and \$3.3 million in fiscal 2013, 2012 and 2011, respectively.

(l) Net Income (Loss) Per Share

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

For the years ended June 30, 2013 and 2011, certain employee equity awards were anti-dilutive based on the treasury stock method. For year ended June 30, 2012, all potential common shares were anti-dilutive due to the net loss. The calculations of basic and diluted net income (loss) per share and basic and diluted weighted average shares outstanding are as follows:

	Year Ended June 30,		
	2013	2012	2011
	(Dollars and Shares in Thousands, Except per Share Data)		
Net income (loss)	\$ 45,262	\$ (13,808)	\$ 10,257
Weighted average shares outstanding	93,586	93,780	93,488
Dilutive impact from:			
Share-based payment awards	1,824	—	2,313
Warrants	—	—	52
Dilutive weighted average shares outstanding	95,410	93,780	95,853
Income (loss) per share			
Basic	\$ 0.48	\$ (0.15)	\$ 0.11
Dilutive	\$ 0.47	\$ (0.15)	\$ 0.11

The following potential common shares were excluded from the calculation of dilutive weighted average shares outstanding because their effect would be anti-dilutive at the balance sheet date:

	Year Ended June 30,		
	2013	2012	2011
	(Shares in Thousands)		
Employee equity awards	443	6,554	1,728

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

(m) Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are principally cash and cash equivalents, marketable securities, accounts receivable and installments receivable. Our cash is held in financial institutions, and our cash equivalents are invested in money market mutual funds that we believe to be of high credit quality. Our investments in marketable securities consist primarily of investment grade fixed income corporate debt securities with maturities ranging from less than one month to 19 months. We reduce the risk by diversifying our investment portfolio and limiting the amount of investments in debt securities of any single issuer.

Concentration of credit risk with respect to receivables is limited to certain customers to which we make substantial sales. To reduce risk, we assess the financial strength of our customers. We do not require collateral or other security in support of our receivables. As of June 30, 2013, one customer receivable balance represented approximately 11% of our total receivables.

(n) Intangible Assets, Goodwill and Long-Lived Assets

Intangible Assets:

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

Intangible assets consist of the following as of June 30, 2013 and 2012:

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Effect of currency translation</u>	<u>Net Carrying Amount</u>	<u>Weighted Average Remaining Life (in Years)</u>
	(Dollars in Thousands)				
June 30, 2013:					
Technology and patents	\$ 2,596	\$ (977)	\$ 172	\$ 1,791	2.0
Total	<u>\$ 2,596</u>	<u>\$ (977)</u>	<u>\$ 172</u>	<u>\$ 1,791</u>	<u>2.0</u>
June 30, 2012:					
Technology and patents	\$ 1,330	\$ (139)	\$ (84)	\$ 1,107	2.7
Total	<u>\$ 1,330</u>	<u>\$ (139)</u>	<u>\$ (84)</u>	<u>\$ 1,107</u>	<u>2.7</u>

Amortization expense for technology and patents is included in operating expenses and amounted to \$0.7 million and \$0.1 million in fiscal 2013 and 2012, respectively. We did not have any acquired intangible assets as of June 30, 2011 and therefore there was no acquired intangible asset amortization expense in fiscal 2011. Amortization expense is expected to approximate \$0.9 million, \$0.7 million and \$0.1 million for fiscal 2014, 2015 and 2016, respectively.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

Goodwill:

The changes in the carrying amount of the goodwill by reporting unit for the fiscal years 2013 and 2012 were as follows:

<u>Asset Class</u>	<u>Reporting Unit</u>			<u>Total</u>
	<u>License</u>	<u>SMS, Training, and Other</u>	<u>Professional Services</u>	
(Dollars in Thousands)				
Balance as of June 30, 2011				
Goodwill	\$ 68,049	\$ 16,144	\$ 5,102	\$ 89,295
Accumulated impairment losses	(65,569)	—	(5,102)	(70,671)
	<u>\$ 2,480</u>	<u>\$ 16,144</u>	<u>\$ —</u>	<u>\$ 18,624</u>
Acquisitions	\$ 1,641	\$ —	\$ —	\$ 1,641
Effect of currency translation	(120)	(746)	—	(866)
Balance as of June 30, 2012				
Goodwill	\$ 69,570	\$ 15,398	\$ 5,102	\$ 90,070
Accumulated impairment losses	(65,569)	—	(5,102)	(70,671)
	<u>\$ 4,001</u>	<u>\$ 15,398</u>	<u>\$ —</u>	<u>\$ 19,399</u>
Effect of currency translation	56	(324)	—	(267)
Balance as of June 30, 2013				
Goodwill	\$ 69,626	\$ 15,074	\$ 5,102	\$ 89,803
Accumulated impairment losses	(65,569)	—	(5,102)	(70,671)
	<u>\$ 4,057</u>	<u>\$ 15,074</u>	<u>\$ —</u>	<u>\$ 19,132</u>

We test goodwill for impairment annually (or more often if impairment indicators arise), at the reporting unit level. We first assess qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine based on this assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform the two-step goodwill impairment test. The first step requires us to determine the fair value of each reporting unit and compare it to the carrying amount, including goodwill, of such reporting unit. If the fair value exceeds the carrying amount, no impairment loss is recognized. However, if the carrying amount of the reporting unit exceeds its fair value, the goodwill of the unit may be impaired. The amount of impairment, if any, is measured based upon the implied fair value of goodwill at the valuation date.

Fair value of a reporting unit is determined using a combined weighted average of a market-based approach (utilizing fair value multiples of comparable publicly traded companies) and an income-based approach (utilizing discounted projected cash flows). In applying the income-based approach, we would be required to make assumptions about the amount and timing of future expected cash flows, growth rates and appropriate discount rates. The amount and timing of future cash flows would be based on our most recent long-term financial projections. The discount rate we would utilize would be determined using estimates of market participant risk-adjusted weighted-average costs of capital and reflect the risks associated with achieving future cash flows.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

We have elected December 31st as the annual impairment assessment date and perform additional impairment tests if triggering events occur. We performed our annual impairment test for each reporting unit as of December 31, 2012 and, based upon the results of our qualitative assessment, determined that it was not likely that their respective fair values were less than their carrying amounts. As such, we did not perform the two-step goodwill impairment test and did not recognize impairment losses as a result of our analysis. If an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value, goodwill will be evaluated for impairment between annual tests. No triggering events indicating goodwill impairment occurred during fiscal 2013 and 2012.

Impairment of Long-Lived Assets:

We evaluate our long-lived assets, which include finite-lived intangible assets, property and leasehold improvements for impairment as events and circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. We assess the recoverability of the asset or a group of assets based on the undiscounted future cash flows the asset is expected to generate, and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset are less than its carrying value. If an asset or a group of assets are deemed to be impaired, the amount of the impairment loss, if any, represents the excess of the asset's or a group of assets' carrying value compared to their estimated fair values.

(o) Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income (loss) and its components for fiscal 2013, 2012 and 2011 are disclosed in the accompanying consolidated statements of comprehensive income (loss).

As of June 30, 2013, foreign translation adjustments of \$7.3 million and net unrealized losses on available for sale securities of (\$0.1) million are reported as separate components of accumulated other comprehensive income.

As of June 30, 2012, 2011 and 2010, accumulated other comprehensive income is comprised entirely of foreign translation adjustments of \$8.1 million, \$9.1 million and \$7.5 million, respectively.

(p) Accounting for Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period.

(q) Accounting for Transfers of Financial Assets

We derecognize financial assets, specifically accounts receivable and installments receivable, when control has been surrendered in compliance with ASC Topic 860, *Transfers and Servicing*. Transfers of accounts receivable and installments receivable that meet the requirements of ASC 860 for sale accounting treatment are removed from the balance sheet and gains or losses on the sale are recognized. If the conditions for sale accounting treatment are not met, or are no longer met, accounts receivable and installments receivable transferred are classified as collateralized receivables in the

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

consolidated balance sheets and cash received from these transactions is classified as secured borrowings. Transaction costs associated with secured borrowings, if any, are treated as borrowing costs and recognized in interest expense. Once payment is received from a customer, the collateralized receivables and related secured borrowing balances are reduced. We had no outstanding secured borrowings and collateralized receivables as of June 30, 2013 since the balance due to the financial institutions was repaid in full during the second quarter of fiscal 2013.

(r) Income Taxes

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

We do not provide deferred taxes on unremitted earnings of foreign subsidiaries since we intend to indefinitely reinvest either currently or sometime in the foreseeable future. Unrecognized provisions for taxes on undistributed earnings of foreign subsidiaries, which are considered indefinitely reinvested, are not material to our consolidated financial position or results of operations. We are continuously subject to examination by the IRS, as well as various state and foreign jurisdictions. The IRS and other taxing authorities may challenge certain deductions and credits reported by us on our income tax returns. In accordance with provisions of ASC Topic 740, *Income Taxes* (ASC 740), an entity should recognize a tax benefit when it is more-likely-than-not, based on the technical merits, that the position would be sustained upon examination by a taxing authority. The amount to be recognized, if the more-likely-than-not threshold was passed, should be measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Furthermore, any change in the recognition, de-recognition or measurement of a tax position should be recorded in the period in which the change occurs. We account for interest and penalties related to uncertain tax positions as part of the provision for (benefit from) income taxes.

(s) Loss Contingencies

We accrue estimated liabilities for loss contingencies arising from claims, assessments, litigation and other sources when it is probable that a liability has been incurred and the amount of the claim assessment or damages can be reasonably estimated. We believe that we have sufficient accruals to cover any obligations resulting from claims, assessments or litigation that have met these criteria. Refer to Note 9 for discussion of these matters and related liability accruals.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Significant Accounting Policies (Continued)

(t) Advertising Costs

Advertising costs are expensed as incurred and are classified as sales and marketing expenses. We incurred advertising expenses of \$2.9 million, \$2.2 million and \$3.0 million during fiscal 2013, 2012 and 2011, respectively. We had no prepaid advertising costs included in the accompanying consolidated balance sheets.

(u) Research and Development Expense

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

(v) Recently Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. ASU No. 2013-02 requires entities to present by component significant amounts reclassified out of accumulated other comprehensive income either on the face of the statement where net income is presented or in the notes to the financial statements. ASU No. 2013-02 is effective for annual and interim periods beginning after December 31, 2012 and should be applied prospectively. We adopted ASU No. 2013-02 during fiscal 2013. The adoption of ASU No. 2013-02 did not have a material effect on our financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. ASU No. 2011-05 eliminates the option of presenting components of other comprehensive income as a part of the statement of changes in stockholders' equity. ASU No. 2011-05 requires entities to present all non-owner changes in stockholders' equity either on the face of the financial statements or in the notes. The non-owner changes in stockholders' equity are required to be presented on the face of the financial statements either as a single statement of comprehensive income or as two separate consecutive statements. ASU No. 2011-05 is effective for public entities for annual periods, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. We adopted ASU No. 2011-05 during fiscal 2013. The adoption of ASU No. 2011-05 did not have a material effect on our financial position, results of operations or cash flows.

(3) Restructuring Charges

We have undertaken no restructuring actions during fiscal 2013, 2012, or 2011.

During fiscal 2013, we recorded net restructuring credits of less than \$0.1 million.

During fiscal 2012, we recorded net restructuring credits of \$0.3 million comprised of a credit of \$0.5 million related to changes in the estimates of future operating costs and sublease assumptions, partially offset by \$0.2 million of accretion charges.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Restructuring Charges (Continued)

During fiscal 2011, we recorded net restructuring credits of \$0.2 million comprised of a credit of \$0.6 million related to changes in the estimates of future operating costs and sublease assumptions, partially offset by \$0.4 million of accretion charges.

The following activity was recorded for the indicated years:

	Closure/ Consolidation of Facilities and Contract Termination Costs (Dollars in Thousands)
Accrued expenses, June 30, 2010	\$ 8,514
Fiscal 2011 payments	(4,066)
Restructuring charge—accretion	354
Change in estimate—revised assumption	(601)
Accrued expenses, June 30, 2011	\$ 4,201
Fiscal 2012 payments	(2,998)
Restructuring charge—accretion	202
Change in estimate—revised assumption	(503)
Accrued expenses, June 30, 2012	\$ 902
Fiscal 2013 payments	(803)
Restructuring charge—accretion	17
Change in estimate—revised assumption	(22)
Accrued expenses, June 30, 2013	\$ 94

The accrued facility exit costs of \$0.1 million are included in accrued expenses and other current liabilities on the accompanying consolidated balance sheets and are stated at estimated fair value, net of estimated sub-lease income of \$0.5 million. We expect to pay the remaining obligations in connection with vacated facilities over the remaining lease terms, which will expire on various dates through 2017. Anticipated net cash payments to settle these liabilities amount to \$0.1 million at June 30, 2013 and are expected to be made through fiscal 2017.

(4) Secured Borrowings and Collateralized Receivables

We had no outstanding secured borrowings as of June 30, 2013 since the balance due to the financial institutions was repaid in full during fiscal 2013. Prior to the repayment of secured borrowings, we maintained arrangements with financial institutions for borrowings secured by our installments receivable contracts for which limited recourse existed against us. Under these programs, we and the financial institution negotiated the amount borrowed and interest rate secured by each receivable for each transaction. The customers' payments of the underlying receivables funded the repayment of the related amounts borrowed. We were never required to repurchase the receivables for events of default in accordance with program terms. The collateralized receivables earned interest income, and the secured borrowings accrued borrowing costs at approximately the same interest rate. These arrangements were accounted for as secured borrowings.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Secured Borrowings and Collateralized Receivables (Continued)

At June 30, 2012, receivables totaling \$6.3 million were pledged as collateral for the secured borrowings which amounted to \$10.8 million. The collateralized receivables had an implicit interest rate of 8% as of June 30, 2012 and were presented at net present value in the accompanying consolidated balance sheets. We recorded \$0.2 million, \$1.2 million and \$3.2 million of interest income associated with the collateralized receivables during fiscal 2013, 2012 and 2011, respectively, and recognized \$0.3 million, \$3.0 million and \$5.3 million of interest expense associated with the secured borrowings during the periods then ended. Proceeds from and payments on the secured borrowings are presented as components of cash flows from financing activities in the accompanying consolidated statements of cash flows. Reductions of secured borrowings were recognized as financing cash flows upon payment to the financial institutions, and operating cash flows from collateralized receivables were recognized upon customer payments of amounts due.

(5) Supplemental Balance Sheet Information

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

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
	(Dollars in Thousands)	
Property, equipment and leasehold improvements—at cost:		
Computer equipment	\$ 11,106	\$ 10,528
Purchased software	21,642	19,905
Furniture & fixtures	4,475	3,615
Leasehold improvements	3,379	3,044
Accumulated depreciation	(32,773)	(30,055)
Property, equipment and leasehold improvements—net	<u>\$ 7,829</u>	<u>\$ 7,037</u>

We account for asset retirement obligations in accordance with ASC Topic 410, *Asset Retirement and Environmental Obligations*. Our asset retirement obligations relate to leasehold improvements for leased properties. As of June 30, 2013 and 2012, the balance of our asset retirement obligations was \$0.6 million and \$0.7 million, respectively.

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

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
	(Dollars in Thousands)	
Royalties and outside commissions	\$ 4,312	\$ 4,875
Payroll and payroll-related	18,702	21,558
Other	11,407	11,556
Total accrued expenses and other current liabilities	<u>\$ 34,421</u>	<u>\$ 37,989</u>

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Supplemental Balance Sheet Information (Continued)

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

	Year Ended June 30,	
	2013	2012
	(Dollars in Thousands)	
Deferred rent	\$ 862	\$ 1,532
Other*	11,515	13,897
Total other non-current liabilities	<u>\$ 12,377</u>	<u>\$ 15,429</u>

* Other is comprised primarily of our net reserve for uncertain tax liabilities. See Note 8, "Income Taxes" for additional information.

(6) Common Stock

On April 23, 2013, our Board of Directors approved a share repurchase program for up to \$150 million worth of our common stock. This share repurchase program replaced the prior share repurchase program approved by the Board of Directors on October 24, 2012 for up to \$100 million, which had approximately \$58.4 million of remaining capacity on April 23, 2013. The program approved on October 24, 2012 had replaced a repurchase program with a value of up to \$100 million which had been approved by the Board of Directors on November 1, 2011. The program approved on November 1, 2011 had replaced a repurchase program with a value of up to \$40 million which had been approved by the Board of Directors on October 29, 2010. The timing and amount of any shares repurchased are based on market conditions and other factors. All share repurchases of our common stock have been recorded as treasury stock under the cost method.

We repurchased 3,064,151 shares and 2,496,595 shares of our common stock for \$84.7 million and \$46.1 million during fiscal 2013 and 2012, respectively. As of June 30, 2013, the remaining dollar value under the stock repurchase program approved on April 23, 2013 was \$134.4 million.

(7) Stock-Based Compensation*Stock Compensation Plans*

In April 2010, the shareholders approved the establishment of the 2010 Equity Incentive Plan (the 2010 Plan), which provides for the issuance of a maximum of 7,000,000 shares of common stock. The 2010 Plan provides for the grant of incentive and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-related awards, and performance awards that may be settled in cash, stock, or other property. As of June 30, 2013, there were 4,566,530 shares of common stock available for issuance subject to awards under the 2010 Plan.

In May 2005, the shareholders approved the establishment of the 2005 Stock Incentive Plan (the 2005 Plan), which provides for the issuance of a maximum of 4,000,000 shares of common stock. The 2005 Plan provides for the grant of incentive and nonqualified stock options and other stock-based awards, including the grant of shares based upon certain conditions, the grant of securities convertible into common stock and the grant of stock appreciation rights. Restricted stock and other stock-based awards granted under the 2005 Plan may not exceed, in the aggregate, 4,000,000 shares of common

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Stock-Based Compensation (Continued)

stock. As of June 30, 2013, there were 214,712 shares of common stock available for issuance subject to awards under the 2005 Plan.

General Award Terms

We issue stock options and restricted stock units (RSUs) to our employees and outside directors, pursuant to stockholder- approved equity compensation plans. Option awards are granted with an exercise price equal to the market closing price of our stock on the trading day prior to the date of grant; those options generally vest over four years and expire within 7 or 10 years of grant. RSUs generally vest over four years. Historically, our practice has been to settle stock option exercises and RSU vesting through newly-issued shares.

Stock Compensation Accounting

Our stock-based compensation is principally accounted for as awards of equity instruments. Our policy is to issue new shares upon the exercise of stock awards. We adopted the simplified method related to accounting for the tax effects of share-based payment awards to employees under ASC Topic 718, *Compensation—Stock Compensation* (ASC 718). We use the "with-and-without" approach for determining if excess tax benefits are realized under ASC 718.

We utilize the Black-Scholes option valuation model for estimating the fair value of options granted. The Black-Scholes option valuation model incorporates assumptions regarding expected stock price volatility, the expected life of the option, the risk-free interest rate, dividend yield and the market value of our common stock. The expected stock price volatility is determined based on our stock's historic prices over a period commensurate with the expected life of the award. The expected life of an option represents the period for which options are expected to be outstanding as determined by historic option exercises and cancellations. The risk-free interest rate is based on the U.S. Treasury yield curve for notes with terms approximating the expected life of the options granted. The expected dividend yield is zero, based on our history and expectation of not paying dividends on common shares. We recognize compensation costs on a straight-line basis, net of estimated forfeitures, over the requisite service period for time-vested awards.

The weighted average estimated fair value of awards granted during fiscal 2013, 2012 and 2011 was \$9.76, \$6.49 and \$4.99 respectively.

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

	Year Ended June 30,		
	2013	2012	2011
Risk-free interest rate	0.6%	1.1%	1.3%
Expected dividend yield	None	None	None
Expected life (in years)	4.8	4.6	4.6
Expected volatility factor	49%	50%	53%

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(7) Stock-Based Compensation (Continued)

The stock-based compensation expense and its classification in the accompanying consolidated statements of operations for fiscal 2013, 2012 and 2011 was as follows:

	Year Ended June 30,		
	2013	2012	2011
	(Dollars in Thousands)		
Recorded as expenses:			
Cost of service and other	\$ 1,281	\$ 1,168	\$ 945
Selling and marketing	3,890	4,601	3,603
Research and development	2,969	1,334	1,152
General and administrative	6,497	5,303	3,999
Total stock-based compensation	<u>\$ 14,637</u>	<u>\$ 12,406</u>	<u>\$ 9,699</u>

A summary of stock option and RSU activity under all equity plans in fiscal 2013, 2012 and 2011 is as follows:

	Stock Options				Restricted Stock Units	
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in 000's)	Shares	Weighted Average Grant Date Fair Value
Outstanding at June 30, 2012	4,180,265	\$ 9.03			1,327,071	\$ 12.73
Granted	498,264	23.40			592,842	23.46
Settled (RSUs)	—	—			(815,440)	13.99
Exercised	(2,743,772)	7.71			—	—
Cancelled / Forfeited	(82,639)	12.99			(73,634)	15.59
Outstanding at June 30, 2013	<u>1,852,118</u>	\$ 14.68	6.80	\$ 26,140	<u>1,030,839</u>	\$ 17.69
Vested and exercisable at June 30, 2013	972,407	\$ 12.05	5.64	\$ 16,278	—	—
Vested and expected to vest at June 30, 2013	1,563,655	\$ 14.09	6.53	\$ 22,984	751,521	\$ 17.39

During fiscal 2013, 2012 and 2011, the weighted average grant-date fair value of RSUs granted was \$23.46, \$15.52 and \$11.02, respectively. During fiscal 2013, 2012 and 2011 the total fair value of vested shares from RSU grants amounted to \$22.5 million, \$14.0 million and \$11.7 million, respectively.

As of June 30, 2013, the total future unrecognized compensation cost related to stock options and RSUs was \$4.9 million and \$13.4 million, respectively, and is expected to be recorded over a weighted average period of 2.3 years and 2.4 years, respectively.

The total intrinsic value of options exercised during fiscal 2013, 2012 and 2011 was \$55.7 million, \$14.6 million and \$12.2 million, respectively. We received \$21.1 million, \$8.9 million and \$9.7 million in cash proceeds from option exercises during fiscal 2013, 2012 and 2011, respectively. We paid \$7.7 million, \$4.6 million and \$3.9 million for withholding taxes on vested RSUs during fiscal 2013, 2012 and 2011, respectively.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Stock-Based Compensation (Continued)

At June 30, 2013, common stock reserved for future issuance or settlement under equity compensation plans was 7.7 million shares.

The compensation committee and Board of Directors completed its annual program grant for fiscal 2014 and authorized and approved the grant of 392,440 RSUs and 333,214 stock options with a grant date of August 1, 2013.

(8) Income Taxes

Income (loss) before provision for (benefit from) income taxes consists of the following:

	Year Ended June 30,		
	2013	2012	2011
	(Dollars in Thousands)		
Domestic	\$ 54,587	\$ (14,086)	\$ (50,395)
Foreign	2,851	(1,066)	6,675
Income (loss) before provision for (benefit from) income taxes	<u>\$ 57,438</u>	<u>\$ (15,152)</u>	<u>\$ (43,720)</u>

The provision for (benefit from) income taxes shown in the accompanying consolidated statements of operations is composed of the following:

	Year Ended June 30,		
	2013	2012	2011
	(Dollars in Thousands)		
Federal—			
Current	\$ —	\$ —	\$ —
Deferred	7,867	(3,409)	(60,004)
State—			
Current	136	191	132
Deferred	693	33	(1,702)
Foreign—			
Current	7,068	3,292	5,446
Deferred	(3,588)	(1,451)	2,151
	<u>\$ 12,176</u>	<u>\$ (1,344)</u>	<u>\$ (53,977)</u>

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Income Taxes (Continued)

The provision for (benefit from) income taxes differs from that based on the federal statutory rate due to the following:

	Year Ended June 30,		
	2013	2012	2011
	(Dollars in Thousands)		
Federal tax provision (benefit) at statutory rate	\$ 20,103	\$ (5,303)	\$ (15,302)
State income taxes	88	124	86
Subpart F and dividend income	4,456	4,189	1,235
Foreign taxes and rate differences	2,298	1,001	2,218
Stock-based compensation	900	2,968	3,338
Tax credits	(4,816)	(3,913)	(4,524)
Tax contingencies	(168)	(2,385)	7,158
Return to provision adjustments	(149)	442	1,182
Valuation allowance	(1,813)	1,431	(48,830)
Benefit from foreign restructuring	(9,266)	—	—
Other	543	102	(538)
Provision for (benefit from) income taxes	<u>\$ 12,176</u>	<u>\$ (1,344)</u>	<u>\$ (53,977)</u>

Deferred tax assets (liabilities) consist of the following at June 30, 2013 and 2012:

	Year Ended June 30,	
	2013	2012
	(Dollars in Thousands)	
Deferred tax assets:		
Federal and state credits	\$ 4,918	\$ 4,000
Foreign tax credits	33,310	38,870
Federal and state loss carryforwards	6,221	18,458
Capital loss carryforwards	8,076	—
Foreign loss carryforwards	1,653	2,658
Deferred revenue	4,198	3,682
Restructuring accruals	34	326
Other reserves and accruals	4,834	5,119
Intangible assets	719	1,037
Property, leasehold improvements, and other basis differences	2,829	3,523
Other temporary differences	3,504	5,596
	<u>70,296</u>	<u>83,269</u>
Deferred tax liabilities:		
Deferred revenue	(151)	(714)
Intangible assets	(1,444)	(1,558)
Property, leasehold improvements, and other basis differences	(16)	(9,583)
Other temporary differences	(677)	(683)
	<u>(2,288)</u>	<u>(12,538)</u>
Valuation allowance	(9,943)	(5,626)
Net deferred tax assets	<u>\$ 58,065</u>	<u>\$ 65,105</u>

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Income Taxes (Continued)

In fiscal 2013, we restructured our Canadian affiliate, AspenTech Canada Ltd ("ATC"). The restructuring was considered a deemed liquidation for tax purposes resulting in (i) the elimination of a deferred tax liability of \$9.3 million associated with a basis difference and (ii) recognition of a capital loss for tax purposes of \$22.2 million.

Our valuation allowance for deferred tax assets was \$9.9 million and \$5.6 million as of June 30, 2013 and 2012 respectively. The increase in the valuation allowance of \$8.1 million over the prior year was due to the recognition of the capital loss on the deemed liquidation of ATC and the assessment that it is "more likely than not" that we will not recognize a benefit from the capital loss. We also decreased the valuation allowance by \$1.9 million during the year related net operating losses and other net deferred tax assets related to our entities in the United Kingdom. A valuation allowance has also been retained on certain foreign subsidiary net operating loss carryforwards because it is more likely than not that a benefit will not be realized.

As of June 30, 2013, we have available U.S. federal net operating loss carryforwards of \$119.3 million. Of that amount, \$104.7 million relate to stock-based compensation tax deductions in excess of book compensation expense (APIC NOLs) that will be credited to additional paid in capital when such deductions reduce taxes payable as determined based on a "with-and-without" approach. APIC NOLs will reduce federal taxes payable if realized in future periods, but NOLs relating to such benefits are not included in the table above. The deferred tax asset related to the net carryforward value of \$14.6 million is included in the table above.

In fiscal 2013, we recorded a reduction in the foreign income taxes payable of \$0.5 million, with an increase to additional paid in capital, for the benefits of excess stock-based compensation deductions recognized during the period in the United Kingdom.

We have foreign net operating loss carryforwards of \$6.6 million which will expire beginning in 2020 and others with no expiration date. The \$6.6 million of foreign net operating loss carryforwards includes \$0.3 million related to stock-based compensation tax deductions in excess of book compensation expense. We also have federal and state research and development tax credits, and alternative minimum tax (AMT) credit carryforwards. The research and development tax credits expire at various dates from 2019 through 2033, while the AMT credit carryforwards have an unlimited carryforward period.

We have determined that we underwent an ownership change (as defined under section 382 of the Internal Revenue Code of 1986, as amended) during fiscal 2011. As such, the utilization of certain NOLs and tax credits are subject to an annual limitation. The annual limitation is not expected to impact the realizability of the deferred tax assets.

For fiscal 2013, our income tax provision included amounts determined under the provisions of FIN 48, *Uncertainty in Income Taxes- an Interpretation of FASB Statement No 109*, (currently included as provisions of ASC 740), intended to satisfy additional income tax assessments, including interest and penalties, that could result from any tax return positions for which the likelihood of sustaining the position on audit does not meet a threshold of "more likely than not." Tax liabilities were recorded as a component of our income taxes payable and other non-current liabilities. The ultimate amount of taxes due will not be known until examinations are completed and settled or the audit periods are closed by statutes.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Income Taxes (Continued)

A reconciliation of the reserve for uncertain tax positions is as follows:

	Year Ended June 30,		
	2013	2012	2011
	(Dollars in Thousands)		
Uncertain tax positions, beginning of year	\$ 21,906	\$ 24,835	\$ 17,730
Gross increases—tax positions in prior period	1,150	2,072	4,599
Gross decreases—tax positions in prior period	—	(1,468)	(1,025)
Gross increases—tax positions in current period	—	—	3,333
Gross decreases—lapse of statutes	(1,172)	(2,954)	(517)
Currency translation adjustment	147	(579)	715
Uncertain tax positions, end of year	<u>\$ 22,031</u>	<u>\$ 21,906</u>	<u>\$ 24,835</u>

At June 30, 2013, the total amount of unrecognized tax benefits is \$22.0 million, and of that amount, \$18.6 million, if recognized, would reduce the effective tax rate. Our policy is to recognize interest and penalties related to income tax matters as provision for (benefit from) income taxes. At June 30, 2013, we had approximately \$1.9 million of accrued interest and \$1.1 million of penalties related to uncertain tax positions. We recorded a benefit for interest and penalties of approximately \$0.1 million during fiscal 2013. We do not anticipate the total amount of unrecognized tax benefits to significantly change within the next twelve months.

Fiscal years 2007-2012 are subject to audit in the United States and Canada.

Subsidiaries of Aspen Technology in a number of countries outside of the U.S. and Canada are also subject to tax audits. The Company estimates that the effects of such tax audits are not material to these consolidated financial statements.

(9) Commitments and Contingencies

Operating Leases

We lease certain facilities and various office equipment under non-cancellable operating leases with terms in excess of one year. Rental expense, including short term leases, maintenance charges and taxes on leased facilities, was approximately \$6.7 million, \$6.3 million and \$6.7 million for fiscal years 2013, 2012 and 2011, respectively.

Future minimum lease payments under these leases and scheduled sublease payments as of June 30, 2013 are as follows:

Year Ended June 30,	Gross Payments	Scheduled Sublease Payments	Net Payments
	(Dollars in Thousands)		
2014	\$ 6,857	\$ 163	\$ 6,694
2015	5,038	163	4,875
2016	2,686	163	2,523
2017	461	14	447
Total	<u>\$ 15,042</u>	<u>\$ 503</u>	<u>\$ 14,539</u>

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Commitments and Contingencies (Continued)

Due to various restructuring activities (refer to Note 3) in past years we have vacated certain of our leased space and are subleasing a portion of this space. The scheduled sublease payments are included in the table above. We have issued a standby letter of credit for \$0.5 million in connection with a certain facility lease that expires in fiscal 2017.

Legal Matters

In the ordinary course of business, we from time to time pursue lawsuits and claims to enforce our intellectual property rights and to address other intellectual property, commercial and miscellaneous matters. In addition, we are also from time to time involved in other lawsuits, claims, investigations, proceedings and threats of litigation. These include an April 2004 claim by a customer for approximately \$5.0 million that certain of our software products and implementation services failed to meet the customer's expectations.

The results of litigation and claims cannot be predicted with certainty, and unfavorable resolutions are possible and could materially affect our results of operations, cash flows or financial position. In addition, regardless of the outcome, litigation could have an adverse impact on us because of litigation fees and costs, diversion of management resources and other factors.

While the outcome of the proceedings and claims referenced above cannot be predicted with certainty, there are no such matters, as of June 30, 2013, that, in the opinion of management, might have a material adverse effect on our financial position, results of operations or cash flows. Liabilities, if applicable, related to the aforementioned matters discussed in this Note have been included in our accrued liabilities at June 30, 2013, and are not material to our financial position for the period then ended.

As of June 30, 2013 we do not believe that there is a reasonable possibility of a loss exceeding the amounts already accrued for the proceedings or matters discussed above.

(10) Retirement and Profit Sharing Plans

We maintain a defined contribution retirement plan under Section 401(k) of the IRC 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 IRC, which would otherwise be payable to the participant for any plan year. We may make discretionary contributions to this plan, including making matching contributions of 50%, up to a maximum of 6% of an employee's pretax contribution. We made matching contributions of approximately \$1.9 million in fiscal 2013 and approximately \$1.8 million in each of fiscal 2012 and 2011. Additionally, we participate in certain government mandated and defined contribution plans throughout the world for which we comply with all funding requirements.

(11) Other Investments

In November 2000, we invested \$0.6 million in a global chemical business-to-business e-commerce company supporting major chemical companies in Asia. We recorded a non-operating loss for the full value of this investment in fiscal 2011 due to the determination of an other-than-temporary impairment of its fair value.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Segment and Geographic Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our President and Chief Executive Officer.

We have three operating segments: license; SMS, training, and other; and professional services. The chief operating decision maker assesses financial performance and allocates resources based upon the three lines of business.

The license line of business is engaged in the development and licensing of software. The SMS, training, and other line of business provides customers with a wide range of support services that include on-site support, telephone support, software updates and various forms of training on how to use our products. The professional services line of business offers implementation, advanced process control, real-time optimization and other professional services.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies (refer to Note 2). We do not track assets or capital expenditures by operating segments. Consequently, it is not practical to show assets, capital expenditures, depreciation or amortization by operating segments.

The following table presents a summary of operating segments:

	<u>License</u>	<u>SMS, Training, and Other</u>	<u>Professional Services</u>	<u>Total</u>
	(Dollars in Thousands)			
Year Ended June 30, 2013—				
Segment revenue	\$ 239,654	\$ 44,877	\$ 26,856	\$ 311,387
Segment expenses	68,448	6,753	23,540	98,741
Segment operating profit(1)	<u>\$ 171,206</u>	<u>\$ 38,124</u>	<u>\$ 3,316</u>	<u>\$ 212,646</u>
Year Ended June 30, 2012—				
Segment revenue	\$ 166,688	\$ 54,025	\$ 22,421	\$ 243,134
Segment expenses	71,050	9,631	24,505	105,186
Segment operating profit (loss)(1)	<u>\$ 95,638</u>	<u>\$ 44,394</u>	<u>\$ (2,084)</u>	<u>\$ 137,948</u>
Year Ended June 30, 2011—				
Segment revenue	\$ 103,699	\$ 65,121	\$ 29,334	\$ 198,154
Segment expenses	66,821	13,495	25,404	105,720
Segment operating profit(1)	<u>\$ 36,878</u>	<u>\$ 51,626</u>	<u>\$ 3,930</u>	<u>\$ 92,434</u>

- (1) The segment operating profits (losses) reported reflect the direct expenses of the operating segment and contain certain allocations of selling and marketing, general and administrative, research and development, and do not contain restructuring and other corporate expenses incurred in support of the segments.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Segment and Geographic Information (Continued)

Reconciliation to Income (Loss) Before Provision for (Benefit from) Income Taxes

The following table presents a reconciliation of total segment operating profit to income (loss) before provision for (benefit from) income taxes:

	Year Ended June 30,		
	2013	2012	2011
	(Dollars in Thousands)		
Total segment operating profit for reportable segments	\$ 212,646	\$ 137,948	\$ 92,434
Cost of subscription and software	(12,788)	(10,617)	(5,213)
Marketing	(13,119)	(13,231)	(12,690)
Research and development	(51,735)	(47,391)	(41,932)
General and administrative	(39,340)	(44,780)	(51,363)
Information technology and overhead	(25,432)	(24,831)	(26,360)
Stock-based compensation	(14,637)	(12,406)	(9,699)
Restructuring charges	5	301	247
Other (expense) income, net	(1,117)	(3,519)	2,919
Interest income, net	2,955	3,374	7,937
Income (loss) before provision for (benefit from) income taxes	<u>\$ 57,438</u>	<u>\$ (15,152)</u>	<u>\$ (43,720)</u>

Geographic Information:

Revenue to external customers is attributed to individual countries based on the location the product or services are sold. Domestic and international sales as a percentage of total revenue are as follows:

	Year Ended June 30,		
	2013	2012	2011
United States	38.5%	29.5%	35.8%
Europe	29.3	33.7	26.6
Other(1)	32.2	36.8	37.6
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Other consists primarily of Asia Pacific, Canada, Latin America and the Middle East.

During fiscal 2013, 2012 and 2011, there were no customers that individually represented greater than 10% of our total revenue.

We have long-lived assets of approximately \$17.4 million that are located domestically and \$18.4 million that reside in other geographic locations as of June 30, 2013.

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Quarterly Financial Data (Unaudited)

The following tables present quarterly consolidated statement of operations data for fiscal 2013 and 2012. The below data is unaudited but, in our opinion, reflects all adjustments necessary for a fair presentation of this data in accordance with GAAP:

	Three Months Ended			
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
(Dollars and Shares in Thousands, Except per Share Data)				
Total revenue	\$ 83,264	\$ 79,357	\$ 77,309	\$ 71,457
Gross profit	70,276	66,708	64,936	59,119
Income from operations	15,383	16,334	14,929	8,954
Net income	20,399	10,513	9,937	4,413
Net income per common share:				
Basic	\$ 0.22	\$ 0.11	\$ 0.11	\$ 0.05
Diluted	\$ 0.21	\$ 0.11	\$ 0.10	\$ 0.05
Weighted average shares outstanding:				
Basic	93,680	93,730	93,512	93,428
Diluted	95,257	95,400	95,463	95,670

	Three Months Ended			
	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
(Dollars and Shares in Thousands, Except per Share Data)				
Total revenue	\$ 64,017	\$ 61,337	\$ 66,555	\$ 51,225
Gross profit	50,916	48,907	53,630	37,404
(Loss) income from operations	(3,609)	(2,814)	7,041	(15,625)
Net (loss) income	(5,388)	(520)	3,836	(11,736)
Net (loss) income per common share:				
Basic	\$ (0.06)	\$ (0.01)	\$ 0.04	\$ (0.12)
Diluted	\$ (0.06)	\$ (0.01)	\$ 0.04	\$ (0.12)
Weighted average shares outstanding:				
Basic	93,563	93,583	93,902	94,065
Diluted	93,563	93,583	96,267	94,065

EXHIBIT INDEX

Exhibit Number	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC(1)	Exhibit Number
3.1	Certificate of Incorporation of Aspen Technology, Inc., as amended		8-K	August 22, 2003	4
3.2	By-laws of Aspen Technology, Inc.		8-K	March 27, 1998	3.2
4.1	Specimen certificate for common stock, \$.10 par value, of Aspen Technology, Inc.		8-A/A	June 12, 1998	4
10.1	Lease Agreement dated January 30, 1992 between Aspen Technology, Inc. and Teachers Insurance and Annuity Association of America regarding 10 Canal Park, Cambridge, Massachusetts		10-K	April 11, 2008	10.1
10.1a	First Amendment to Lease Agreement dated May 5, 1997 between Aspen Technology, Inc. and Beacon Properties, L.P., successor-in-interest to Teachers Insurance and Annuity Association of America		10-K	September 28, 2000	10.2
10.1b	Second Amendment to Lease Agreement dated August 14, 2000 between Aspen Technology, Inc. and EOP-Ten Canal Park, L.L.C., successor-in-interest to Beacon Properties, L.P.		10-K	September 28, 2000	10.3
10.1c	Fourth Amendment dated September 5, 2007 to Lease Agreement dated January 30, 1992 between Aspen Technology, Inc. and MA-Ten Canal Park, L.L.C.		10-K	April 11, 2008	10.1c
10.2	Sublease Agreement dated September 5, 2007 between Aspen Technology, Inc. and EOP Canal Leaseco LLC regarding 10 Canal Park, Cambridge, Massachusetts		10-K	April 11, 2008	10.2
10.3	Lease dated May 7, 2007 between Aspen Technology, Inc. and One Wheeler Road Associates regarding 200 Wheeler Road, Burlington, Massachusetts		10-K	April 11, 2008	10.3
10.4	System License Agreement dated March 30, 1982 between Aspen Technology, Inc. and the Massachusetts Institute of Technology		10-K	April 11, 2008	10.4

Exhibit Number	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC(1)	Exhibit Number
10.5	Amendment dated March 30, 1982 to System License Agreement dated March 30, 1982 between Aspen Technology, Inc. and the Massachusetts Institute of Technology		10-K	April 11, 2008	10.5
10.6	Vendor Program Agreement dated March 29, 1990 between Aspen Technology, Inc. and General Electric Capital Corporation		10-K	April 11, 2008	10.13
10.6a	Rider No. 1 dated December 14, 1994, to Vendor Program Agreement dated March 29, 1990 between Aspen Technology, Inc. and General Electric Capital Corporation		10-K	April 11, 2008	10.13a
10.6b	Rider No. 2 dated September 4, 2001 to Vendor Program Agreement dated March 29, 1990 between Aspen Technology, Inc. and General Electric Capital Corporation		10-K	April 11, 2008	10.13b
10.6c	Waiver and Consent Agreement dated March 31, 2009 between Aspen Technology, Inc. and General Electric Capital Corporation and affiliates		10-K	June 30, 2009	10.13c
10.7	Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	February 17, 2004	10.1
10.7a	First Amendment dated June 30, 2004 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-K	April 11, 2008	10.15a
10.7b	Second Amendment dated September 30, 2004 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	March 15, 2005	10.1
10.7c	Third Amendment dated December 31, 2004 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	March 15, 2005	10.8

Exhibit Number	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC(1)	Exhibit Number
10.7d	Fifth Amendment dated April 1, 2005 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	May 10, 2005	10.1
10.7e	Sixth Amendment dated December 29, 2005 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-K	April 11, 2008	10.15f
10.7f	Seventh Amendment dated July 17, 2006 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-K	April 11, 2008	10.15g
10.7g	Eighth Amendment dated September 15, 2006 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-K	April 11, 2008	10.15h
10.7h	Ninth Amendment dated January 12, 2007 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	May 10, 2007	10.3
10.7i	Tenth Amendment dated April 13, 2007 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-K	April 11, 2008	10.15j
10.7j	Eleventh Amendment dated June 28, 2007 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-K	April 11, 2008	10.15k
10.7k	Twelfth Amendment dated October 16, 2007 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-K	April 11, 2008	10.15l

Exhibit Number	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC(1)	Exhibit Number
10.7i	Thirteenth Amendment dated December 12, 2007 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-K	April 11, 2008	10.15m
10.7m	Fourteenth Amendment dated December 28, 2007 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		8-K	January 7, 2008	10.2
10.7n	Fifteenth Amendment dated January 24, 2008 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	February 19, 2009	10.2
10.7o	Sixteenth Amendment dated May 15, 2008 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	February 19, 2009	10.3
10.7p	Seventeenth Amendment dated November 14, 2008 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	February 19, 2009	10.4
10.7q	Eighteenth Amendment dated January 30, 2009 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	February 19, 2009	10.5
10.7r	Nineteenth Amendment dated May 15, 2009 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-K	June 30, 2009	10.15s
10.7s	Twentieth Amendment dated November 3, 2009 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-K	November 9, 2009	10.15t

Exhibit Number	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC(1)	Exhibit Number
10.7t	Twenty First Amendment dated June 7, 2010 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	February 8, 2011	10.1
10.7u	Twenty Second Amendment dated December 7, 2010 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	February 8, 2011	10.2
10.7v	Twenty Third Amendment dated February 16, 2011 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.		10-Q	May 1, 2012	10.1
10.8^	Aspen Technology, Inc. 1995 Stock Option Plan		S-8	September 9, 1996	4.5
10.9^	Aspen Technology, Inc. Amended and Restated 1995 Directors Stock Option Plan		10-K	April 11, 2008	10.37
10.10^	Aspen Technology, Inc. Restated 2001 Stock Option Plan		10-K	September 28, 2006	10.54
10.11^	Form of Terms and Conditions of Stock Option Agreement Granted under Aspen Technology, Inc. 2001 Restated Stock Option Plan		10-Q	November 14, 2006	10.7
10.12^	Aspen Technology, Inc. 2005 Stock Incentive Plan (as amended)		10-K	November 9, 2009	10.39
10.13^	Form of Terms and Conditions of Stock Option Agreement Granted under Aspen Technology, Inc. 2005 Stock Incentive Plan		10-Q	November 14, 2006	10.8
10.14^	Form of Restricted Stock Unit Agreement Granted under Aspen Technology, Inc. 2005 Stock Incentive Plan		10-Q	November 14, 2006	10.9
10.15^	Form of Restricted Stock Unit Agreement- G Granted under Aspen Technology, Inc. 2005 Stock Incentive Plan		10-Q	November 14, 2006	10.10

Exhibit Number	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC(1)	Exhibit Number
10.15d	Fourth Amendment dated March 8, 2005 to Non-Recourse Receivables Purchase Agreement dated December 31, 2003 between Silicon Valley Bank and Aspen Technology, Inc.	X			
10.16^	Terms and Conditions of Restricted Stock Unit Agreement Granted under 2005 Stock Incentive Plan		10-K	November 9, 2009	10.43
10.17^	Aspen Technology, Inc. 2010 Equity Incentive Plan		8-K	April 21, 2010	10.1
10.18^	Form of Terms and Conditions of Restricted Stock Unit Agreement Granted under Aspen Technology, Inc. 2010 Equity Incentive Plan		10-K	September 2, 2010	10.42
10.19^	Form of Terms and Conditions of Stock Option Agreement Granted under Aspen Technology, Inc. 2010 Equity Incentive Plan		10-K	September 2, 2010	10.43
10.20^	Form of Confidentiality and Non-Competition Agreement of Aspen Technology, Inc.		10-K	April 11, 2008	10.45
10.21^	Aspen Technology, Inc. Executive Annual Incentive Bonus Plan (Fiscal Year 2012)		8-K	July 20, 2011	10.1
10.22^	Amended Executive Annual Incentive Plan (Fiscal Year 2012)		10-Q	November 1, 2011	10.1
10.23^	Aspen Technology, Inc. Executive Annual Incentive Bonus Plan (Fiscal Year 2013)		8-K	July 26, 2012	10.1
10.24^	Aspen Technology, Inc. Executive Annual Incentive Bonus Plan (Fiscal Year 2013), as amended		8-K	October 30, 2012	10.1
10.25^	Aspen Technology, Inc. Executive Annual Incentive Bonus Plan (Fiscal Year 2014)		8-K	July 25, 2013	10.1
10.26^	Form of Executive Retention Agreement entered into by Aspen Technology, Inc. and each executive officer of Aspen Technology, Inc. (other than Mark E. Fusco and Antonio J. Pietri)		10-Q	February 9, 2010	10.1

Exhibit Number	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC(1)	Exhibit Number
10.27 [^]	Amended and Restated Employment and Change of Control Agreement effective October 3, 2007 between Aspen Technology, Inc. and Mark E. Fusco		10-K	April 11, 2008	10.50
10.28 [^]	Offer letter dated April 24, 2013 by and between Aspen Technology, Inc and Antonio J. Pietri	X			
10.29 [^]	Amended and Restated Executive Retention Agreement dated July 1, 2013 entered into by Aspen Technology, Inc. and Antonio J. Pietri	X			
10.30 [^]	Non-Competition and Non-Solicitation Agreement dated July 1, 2013 entered into by Aspen Technology, Inc. and Antonio J. Pietri	X			
21.1	Subsidiaries of Aspen Technology, Inc.	X			
23.1	Consent of KPMG LLP	X			
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1 [*]	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
(1)	The SEC File No. is 333-11651 for Exhibit 10.8, and 001-34630 for Exhibits 10.7t through 10.7v; 10.17 through 10.19; and 10.21 through 10.25, inclusive. The SEC File No. for all other exhibits is 000-24786.				
[^]	Management contract or compensatory plan or arrangement				
[*]	The certification attached as Exhibit 32.1 that accompanies this Form 10-K is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Aspen Technology, Inc. under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.				

FOURTH AMENDMENT TO NON-RECOURSE RECEIVABLES PURCHASE AGREEMENT

This Fourth Amendment to Non-Recourse Receivables Purchase Agreement (this "Amendment") is entered into as of March 8, 2005, by and between **SILICON VALLEY BANK**, a California-chartered bank, with its principal place of business at 3003 Tasman Drive, Santa Clara, California 95054 and with a loan production office located at One Newton Executive Park, Suite 200, 2221 Washington Street, Newton, Massachusetts 02462, doing business under the name "Silicon Valley East" ("Buyer") and **ASPEN TECHNOLOGY, INC.**, a Delaware corporation with offices at Ten Canal Park, Cambridge, Massachusetts 02141 ("Seller").

1. **DESCRIPTION OF EXISTING AGREEMENT.** Reference is made to a certain Non-Recourse Receivables Purchase Agreement by and between Buyer and Seller dated as of December 31, 2003, as amended by a certain First Amendment to Non-Recourse Receivables Purchase Agreement dated June 30, 2004, as further amended by a certain Second Amendment to Non-Recourse Receivables Purchase Agreement dated September 30, 2004, and as further amended by a certain Third Amendment to Non-Recourse Receivables Purchase Agreement dated December 31, 2004 (as further amended from time to time, the "Purchase Agreement"). Capitalized terms used but not otherwise defined herein shall have the same meaning as in the Purchase Agreement.
2. **DESCRIPTION OF CHANGE IN TERMS.**

Modification to Purchase Agreement. The Purchase Agreement shall be amended by deleting Section 2.1 thereof and inserting in lieu thereof the following Section 2.1:

"2.1 **Sale and Purchase.** Subject to the terms and conditions of this Agreement, with respect to each Purchase, effective on each applicable Purchase Date, Seller agrees to sell to Buyer and Buyer agrees to buy from Seller all right, title, and interest (but none of the obligations with respect to) of the Seller to the payment of all sums owing or to be owing from the Account Debtors under each Purchased Receivable to the extent of the Purchased Receivable Amount for such Purchased Receivable.

Each purchase and sale hereunder shall be in the sole discretion of Buyer and Seller. In any event, Buyer will not (i) purchase any Receivables in excess of an aggregate outstanding amount exceeding Thirty-Nine Million Dollars (\$39,000,000.00), or (ii) purchase any Receivables under this Agreement after April 1, 2005. The purchase of each Purchased Receivable may be evidenced by an assignment or bill of sale in a form acceptable to Buyer."
3. **FEES.** Seller shall pay to Buyer a modification fee of Twenty-Four Thousand Three Hundred Seventy-Five Dollars (\$24,375.00), which fee shall be due on the date hereof and shall be deemed fully earned as of the date hereof. Seller shall also reimburse Buyer for all legal fees and expenses incurred in connection with this Amendment.
4. **CONSISTENT CHANGES.** The Purchase Agreement is hereby amended wherever necessary to reflect the changes described above.
5. **RATIFICATION OF LOAN DOCUMENTS.** Seller hereby ratifies, confirms, and reaffirms all terms and conditions of the Purchase Agreement.
6. **CONTINUING VALIDITY.** Seller understands and agrees that in modifying the Purchase Agreement, Buyer is relying upon Seller's representations, warranties, and agreements, as set forth in the Purchase Agreement. Except as expressly modified pursuant to this Amendment, the terms of the Purchase Agreement remain unchanged and in full force and effect. Buyer's agreement to modifications to the Purchase Agreement pursuant to this Amendment in no way shall obligate Buyer to make any future modifications to the Purchase Agreement.
7. **NO DEFENSES OF SELLER.** Seller hereby acknowledges and agrees that Seller has no offsets, defenses, claims, or counterclaims against Buyer with respect to the Purchase Agreement or otherwise, and that if

Seller now has, or ever did have, any offsets, defenses, claims, or counterclaims against Buyer, whether known or unknown, at law or in equity, all of them are hereby expressly WAIVED and Seller hereby RELEASES Buyer from any liability thereunder.

8. **COUNTERSIGNATURE.** This Amendment shall become effective only when it shall have been executed by Seller and Buyer.

This Amendment is executed as a sealed instrument under the laws of the Commonwealth of Massachusetts as of the date first written above.

SELLER:

ASPEN TECHNOLOGY, INC.

BUYER:

SILICON VALLEY BANK

By: /s/ Leo S.Vannoni
Name: Leo S.Vannoni
Title: VP- Treasurer

By: /s/ John K. Peck
Name: John K. Peck
Title: Vice President

Aspen Technology, Inc.
200 Wheeler Road
Burlington MA 01803 USA

[phone] 781 221 6400
[fax] 781 221 6410

[word wide web] www.aspentech.com
[e-mail] info@aspentech.com



CONFIDENTIAL

April 24, 2013

Antonio Pietri
143 Lincoln Street
Lexington, MA 02421

Dear Antonio:

We are pleased to offer you the full-time position of Chief Executive Officer of Aspen Technology, Inc. (the "Company"), reporting to the Board of Directors of the Company (the "Board"), effective no later than October 1, 2013.

We are confident that you will enjoy your new role at the Company and hope that you will accept the Company's offer of the new position. The following is a summary of the terms of your employment if you decide to accept this offer:

POSITION

- Commencing May 1, 2013, you will have such responsibilities, powers and authorities as may be delegated to you from time to time by Mark E. Fusco, Chief Executive Officer of the Company.
- We expect that, no later than October 1, 2013, you will assume the title of Chief Executive Officer of the Company and will then have all of the responsibilities, powers and authorities customarily associated with such position.
- You will be appointed to the Board, effective as of July 1, 2013.

COMPENSATION

- Effective as of July 1, 2013, you will receive an initial base salary of \$20,833.33 semi-monthly, or \$500,000 annualized, subject to applicable taxes and deductions. Such base salary may be adjusted from time to time in accordance with normal business practices and at the sole discretion of the Company.
- You will continue to be eligible to participate in the Company's Executive Annual Incentive Bonus Plan (Fiscal Year 2013), on the terms and conditions currently applicable to you and as set forth in such plan. You also will be eligible to participate in the Company's Executive Annual Incentive Bonus Plan (Fiscal Year 2014) upon adoption and approval by the Board (or its Compensation Committee). Your annualized bonus target for Fiscal Year 2014 will be \$500,000.
- On or about August 1, 2013, you will be granted \$2,500,000 of stock awards as follows:
 - You will receive restricted stock units representing a number of shares of the Company's common stock equal to (a) \$1,875,000 divided by (b) the last reported sale price of the common stock on The NASDAQ Global Select Market on the grant date.

-
- You will receive a stock option to purchase a number of shares of the Company's common stock equal to (a) \$625,000 divided by (b) the fair value of each share of common stock subject to such option, as estimated using the Black-Scholes valuation model (as applied by the Company for stock compensation accounting purposes).

Each of the stock awards will be issued pursuant to one of the Company's existing equity incentive plans and will be subject to the terms of such plan and the agreement or agreements issued to evidence each award. The vesting schedule of the awards will be consistent with that of the annual equity program grant to employees expected to be made on or about August 1, 2013.

BENEFITS

You will continue to be able to participate in any and all benefit programs that the Company establishes and makes available to its employees from time to time, provided you are eligible under (and subject to all terms and provisions of) the plan documents governing those programs. Please note that the Company reserves the right to modify or amend its benefits plans and programs from time to time in its sole discretion and in accordance with business needs, with or without prior notice to employees.

ADDITIONAL AGREEMENTS

Concurrent with your execution and return of this letter agreement, you will execute and return both the Amended and Restated Executive Retention Agreement and the Proprietary and Confidential Information and Non-Competition and Non-Solicitation Agreement, each to be effective as of July 1, 2013,

and each in the form as provided herewith.

For the avoidance of doubt, until July 1, 2013, each of the existing Amended and Restated Executive Retention Agreement dated as of July 31, 2009 between you and the Company and the Proprietary and Confidential Information and Non-Competition and Non-Solicitation Agreement dated July 2, 2007 between you and the Company shall remain in effect.

This letter may not be modified except by a written agreement signed by you and approved by the Board (or one of its committees).

Please confirm your acceptance of this offer by signing the enclosed duplicate of this letter and returning it to the undersigned no later than close of business on April 25, 2013.

We look forward to working with you in your new, expanded role with the Company.

Sincerely,

/s/ Don Casey

Name: Don Casey

On behalf of the Board of Directors
of Aspen Technology, Inc.

The foregoing correctly sets forth the terms of my employment with Aspen Technology, Inc. I am not relying on any representations other than as set out above.

/s/ Antonio Pietri

April 24th, 2013

Antonio Pietri

ASPEN TECHNOLOGY, INC.

Amended and Restated Executive Retention Agreement

Aspen Technology, Inc., a Delaware corporation (the “Company”), and **Antonio Pietri** (the “Executive”) enter into this Amended and Restated Executive Retention Agreement (the “Agreement”) dated as of July 1, 2013 (the “Effective Date”).

WHEREAS, the Company and the Executive are currently party to an Amended and Restated Executive Retention Agreement, dated July 31, 2009 (the “Current Agreement”);

WHEREAS, the parties desire to further amend and restate the Current Agreement as of the date hereof in connection with the Executive’s agreement to assume the role of Chief Executive Officer of the Company as of a future date;

WHEREAS, the Company considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Company and its stockholders;

WHEREAS, the Company recognizes that, as is the case with many publicly-held corporations, the possibility of a change in control of the Company exists and that such possibility, and the uncertainty and questions which it may raise among key personnel, may result in the departure or distraction of key personnel to the detriment of the Company and its stockholders, and

WHEREAS, the Board of Directors of the Company (the “Board”) has determined that it is in the best interests of the Company that appropriate steps should be taken to reinforce and encourage the continued employment and dedication of the Company’s key personnel without distraction, including distraction from the possibility of a change in control of the Company and related events and circumstances.

NOW, THEREFORE, as an inducement for and in consideration of the Executive remaining in its employ and for other good and valuable consideration, the parties agree that the Executive shall receive the severance benefits set forth set forth below in the event the Executive’s employment with the Company is terminated.

1. Key Definitions.

As used herein, the following terms shall have the following respective meanings:

1.1 “Change in Control” means an event or occurrence set forth in any one or more of subsections (a) through (d) below (including an event or occurrence that constitutes a Change in Control under one of such subsections but is specifically exempted from another such subsection) and that is (i) a change in the ownership of the Company (as defined in Treasury Regulation Section 1.409A-3(i)(5)(v)), (ii) a change in effective control of the Company (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vi)), or (iii) a change in the ownership of

a substantial portion of the assets of the Company (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vii)):

(a) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) (a “Person”) of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934) 50% or more of either (x) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (y) the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided that for purposes of this subsection (1), the following acquisitions shall not constitute a Change in Control: (I) any acquisition directly from the Company (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for common stock or voting securities of the Company, unless the Person exercising, converting or exchanging such security acquired such security directly from the Company or an underwriter or agent of the Company), (II) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (III) any acquisition by any corporation pursuant to a Business Combination (as defined below) that complies with clauses (x) and (y) of Section 1.1(c); or

(b) such time as the Continuing Directors (as defined below) do not constitute a majority of the Board (or, if applicable, the Board of Directors of a successor corporation to the Company), where the term “Continuing Director” means at any date a member of the Board (x) who was a member of the Board on the date of the execution of this Agreement or (y) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election, provided that there shall be excluded from this clause (y) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(c) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (x) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include a corporation that as a result of such transaction owns the Company or substantially all of the Company’s assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation is referred to herein as the “Acquiring Corporation”) in substantially the

same proportions as their ownership of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, immediately prior to such Business Combination, excluding for all purposes of this clause (x) any shares of common stock or other securities of the Acquiring Corporation attributable to any such individual's or entity's ownership of securities other than Outstanding Company Common Stock or Outstanding Company Voting Securities immediately prior to the Business Combination); and (y) no Person (excluding the Acquiring Corporation or any employee benefit plan (or related trust) maintained or sponsored by the Company or by the Acquiring Corporation) beneficially owns, directly or indirectly, 50% or more of the then-outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of directors (except to the extent that such ownership existed prior to the Business Combination); or

(d) the liquidation or dissolution of the Company.

1.2 "Change in Control Date" means the first date during the Term (as defined in Section 2) on which a Change in Control occurs.

Anything in this Agreement to the contrary notwithstanding, if (a) a Change in Control occurs, or shall have been announced or agreed to, (b) the Executive's employment with the Company is subsequently terminated, and (c) if the date of termination is prior to the date of the actual or scheduled Change of Control and it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably designed to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control, such as, for example, as a condition thereto or in connection with cost reduction or elimination of duplicate positions, then for all purposes of this Agreement the "Change in Control Date" shall mean the date immediately prior to the date of such termination of employment.

1.3 "Cause" means:

(a) the Executive's willful and continued failure to substantially perform the Executive's reasonable assigned duties (other than any such failure resulting from incapacity due to physical or mental illness, approved leave of absence or any failure after the Executive gives notice of termination for Good Reason), which failure is not cured within 30 days after a written notice and demand for substantial performance is received by the Executive from the Board of Directors of the Company which specifically identifies the manner in which the Board of Directors believes the Executive has not substantially performed the Executive's duties; or

(b) the Executive's willful engagement in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this Section 1.3, no act or failure to act by the Executive shall be considered "willful" unless it is done, or omitted to be done, in bad faith and without reasonable belief that the Executive's action or omission was in the best interests of the Company.

1.4 "Good Reason" means the occurrence, without the Executive's prior written consent, of any of the events or circumstances set forth in clauses (a) through (g) below.

3

Notwithstanding the occurrence of any such event or circumstance, such occurrence shall not be deemed to constitute Good Reason if, prior to the Date of Termination specified in the Notice of Termination (each as defined in Section 3) given by the Executive in respect thereof, such event or circumstance has been fully corrected and the Executive has been reasonably compensated for any losses or damages resulting therefrom (provided that such right of correction by the Company shall apply only with respect to the first Notice of Termination for Good Reason given by the Executive).

(a) the assignment to the Executive of duties inconsistent in any material respect with the Executive's position (including status, offices, titles and reporting requirements), authority or responsibilities in effect immediately prior to the earliest to occur of (i) the Change in Control Date, (ii) the date of the execution by the Company of the initial written agreement or instrument providing for the Change in Control or (iii) the date of the adoption by the Board of Directors of a resolution providing for the Change in Control (with the earliest to occur of such dates referred to herein as the "Measurement Date"), or any other action or omission by the Company which results in a material diminution in such position, authority or responsibilities;

(b) a reduction in the Executive's annual base salary as in effect on the Measurement Date or as the same was or may be increased thereafter from time to time;

(c) the failure by the Company to (i) continue in effect any material compensation or benefit plan or program (including without limitation any life insurance, medical, health and accident or disability plan and any vacation program or policy) (a "Benefit Plan") in which the Executive participates or which is applicable to the Executive immediately prior to the Measurement Date, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan or program, (ii) continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, than the basis existing immediately prior to the Measurement Date or (iii) award cash bonuses to the Executive in amounts and in a manner substantially consistent with past practice in light of the Company's financial performance;

(d) a change by the Company in the location at which the Executive performs the Executive's principal duties for the Company to a new location that is both (i) outside a radius of 40 miles from the Executive's principal residence immediately prior to the Measurement Date and (ii) more than 30 miles from the location at which the Executive performed the Executive's principal duties for the Company immediately prior to the Measurement Date; or a requirement by the Company that the Executive travel on Company business to a substantially greater extent than required immediately prior to the Measurement Date;

(e) the failure of the Company to obtain the agreement from any successor to the Company to assume and agree to perform this Agreement, as required by Section 6.1;

4

(f) a purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3;

(g) any failure of the Company to pay or provide to the Executive any portion of the Executive's compensation or benefits due under any Benefit Plan within seven days of the date such compensation or benefits are due, or any material breach by the Company of this Agreement or any employment agreement with the Executive; or

(h) any other material breach by the Company of any of its obligations under this Agreement.

For purposes of this Agreement, any claim of "Good Reason" made by the Executive shall be presumed to be correct unless the Company establishes by clear and convincing evidence that Good Reason does not exist. The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness.

1.5 "Disability" means the Executive's absence from the full-time performance of the Executive's duties with the Company for 180 consecutive calendar days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

2. Term of Agreement. This Agreement shall take effect upon the Effective Date and shall expire upon the first to occur of (a) the expiration of the Term (as defined below) if a Change in Control has not occurred during the Term, (b) the date 12 months after the Change in Control Date, if the Executive is still employed by the Company as of such later date, or (c) the fulfillment by the Company of all of its obligations under Sections 4 and 5.2 and 5.3 if the Executive's employment with the Company terminates during the Term or within 12 months following the Change in Control Date. "Term" shall mean the period commencing as of the Effective Date and continuing in effect through July 31, 2015; provided, however, that commencing on August 1, 2015 and each August 1 thereafter, the Term shall be automatically extended for one additional year unless, not later than six months prior to the scheduled expiration of the Term (or any extension thereof), the Company shall have given the Executive written notice that the Term will not be extended.

3. Notice of Termination.

3.1 Any termination of the Executive's employment by the Company or by the Executive (other than due to the death of the Executive) shall be communicated by a written notice to the other party hereto (the "Notice of Termination"), given in accordance with Section 7. Any Notice of Termination shall: (i) indicate the specific termination provision (if any) of this Agreement relied upon by the party giving such notice, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) specify the Date of Termination (as defined below). The effective date of an employment termination (the "Date of Termination") shall be the close of business on the date specified in the Notice of

5

Termination (which date may not be less than 30 days or more than 120 days after the date of delivery of such Notice of Termination), in the case of a termination other than one due to the Executive's death, or the date of the Executive's death, as the case may be. In the event the Company fails to satisfy the requirements of Section 3 regarding a Notice of Termination, the purported termination of the Executive's employment pursuant to such Notice of Termination shall not be effective for purposes of this Agreement.

3.2 The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting any such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

3.3 Any Notice of Termination for Cause given by the Company must be given within 30 days of the occurrence of the event(s) or circumstance(s) which constitute(s) Cause. Prior to any Notice of Termination for Cause being given (and prior to any termination for Cause being effective), the Executive shall be entitled to a hearing before the Board of Directors of the Company at which he may, at the Executive's election, be represented by counsel and at which he shall have a reasonable opportunity to be heard. Such hearing shall be held on not less than 15 days prior written notice to the Executive stating the Board of Directors' intention to terminate the Executive for Cause and stating in detail the particular event(s) or circumstance(s) which the Board of Directors believes constitutes Cause for termination. Any such Notice of Termination for Cause must be approved by an affirmative vote of at least two-thirds of the members of the Board of Directors.

4. Termination; Benefits to Executive.

4.1 Termination Not Related to a Change in Control. Subject to Sections 4.5 and 8.1, if the Executive's employment with the Company is terminated by the Company without Cause and a Change in Control Date has not occurred, then, provided that the Executive has delivered to the Company (and the applicable revocation period has expired with respect to) a signed general release substantially in the form attached hereto as Exhibit A (the "Release") during the 60 days following the Date of Termination, the Executive shall be entitled to payments and benefits set forth below. Unless delayed by Section 4.5 or not payable under Section 8.1, the payments will begin (or for lump sums will be made) in the first payroll period after the Release becomes irrevocable, provided that if the 60th day falls in the calendar year following the year of the Date of Termination, the payments will begin (or be made) no earlier than the first payroll period of such later calendar year. The first payroll payment will include a make-up payment for the period that elapsed between the Date of Termination and the payroll period in which payments begin:

(a) For the 18 months following the Date of Termination (the "Severance Period"), the Company shall pay to the Executive an amount equal to Executive's then current base salary, to be paid on the Company's normal payroll cycle during the Severance Period; provided that if any payments would otherwise be due on or after March 15 of the calendar year next succeeding the year in which termination occurs, then all payments that would

6

otherwise be due after March 15 shall be paid to the Executive in a lump sum in the payroll period on or immediately prior to March 15 of such next succeeding year.

(b) For the Severance Period or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue to pay or provide benefits to the Executive and the Executive's family at least equal to those which would have been provided to them if the Executive's employment had not been terminated, in accordance with the applicable medical, dental and vision plans (the "Benefit Plans") in effect on the Date of Termination or, if more favorable to the Executive and the Executive's family, in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies (notwithstanding the foregoing, to the extent such payments are taxable and extend beyond the period of time during which the Executive would be entitled (or would, but for such arrangement, be entitled) to COBRA continuation coverage under a group health plan of the Company, such payments shall be made on a monthly basis).

(c) The Company shall pay to the Executive in a lump sum, in cash, the aggregate of the following amounts:

(i) a pro rata portion of the Executive's target bonus for the then-current fiscal year, and

(ii) in lieu of any further life, disability, and accident insurance benefits (not including medical, dental or vision insurance) (the "Other Plans"), an amount equal to the cost to the Executive of providing such benefits, to the extent that the Executive is eligible to receive such benefits immediately prior to the Notice of Termination, for the Severance Period.

(d) To the extent not previously paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive following the Executive's termination of employment under any plan, program, policy, practice, contract or agreement of the Company and its affiliated companies, including any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay.

(e) For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for defined benefit pension/retiree benefits, if any, to which the Executive is entitled, the Executive shall be considered to have remained employed by the Company through the Severance Period. For the avoidance of doubt, the foregoing shall not be deemed to include a 401(k) Plan or similar benefit.

(f) The Company shall provide outplacement services through one or more outside firms of the Executive's choosing and reasonably acceptable to the Company up to an aggregate of \$45,000, with such services to extend until the earlier of (i) 18 months following the termination of Executive's employment or (ii) the date the Executive secures full time employment.

4.2 Termination Related to a Change in Control. Subject to Sections 4.5 and 8.1, if a Change in Control Date occurs and the Executive's employment with the Company

7

terminates within 12 months following the Change in Control Date, the following provisions shall apply:

(a) Termination Without Cause or for Good Reason. If the Executive's employment with the Company is terminated by the Company (other than for Cause, Disability or death) or by the Executive for Good Reason within 12 months following the Change in Control Date, then, provided that Executive has delivered to the Company (and the applicable revocation period has expired with respect to) the Release within 60 days of the Date of Termination, the Executive shall be entitled to the following payments and benefits paid on the same timing described in Section 4.1:

(i) The Company shall pay to the Executive in a lump sum, in cash, the aggregate of the following amounts:

(A) the sum of (1) the Executive's base salary through the Date of Termination, and (2) the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not previously paid;

(B) the sum of (1) 1.5 multiplied by the Executive's annual base salary, and (2) the higher of the Executive's target bonus for the then-prior fiscal year or the Executive's target bonus for the then-current fiscal year; provided, however, that if the Date of Termination is prior to the closing of the Change in Control, then the amount set forth in this Section 4.2(a)(i)(B)(1) shall be paid on the same schedule as set forth in Section 4.1(a) and the amount set forth in Section 4.2(a)(i)(B)(2) shall be paid on the same schedule as the amount set forth in Section 4.1(c)(i); and

(C) in lieu of any further benefits under Other Plans, an amount equal to the cost to the Executive of providing such benefits, to the extent that the Executive is eligible to receive such benefits immediately prior to the Notice of Termination, for the Severance Period.

(ii) For the Severance Period, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue to pay or provide benefits to the Executive and the Executive's family at least equal to those which would have been provided to them if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Measurement Date or, if more favorable to the Executive and the Executive's family, in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies (notwithstanding the foregoing, to the extent such payments are taxable and extend beyond the period of time during which the Executive would be entitled (or would, but for such arrangement, be entitled) to COBRA continuation coverage under a group health plan of the Company, such payments shall be made on a monthly basis).

(iii) To the extent not previously paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive following the Executive's termination of

8

employment under any plan, program, policy, practice, contract or agreement of the Company and its affiliated companies.

(iv) For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for defined benefit pension/retiree benefits, if any, to which the Executive is entitled, the Executive shall be considered to have remained employed by the Company through the Severance Period. For the avoidance of doubt, the foregoing shall not be deemed to include a 401(k) Plan or similar benefit.

(v) With respect to the Executive's equity-based awards, (1) all of the then-unvested options to purchase shares of stock of the Company held by the Executive shall become fully vested and immediately exercisable in full, and shares of the Company received upon exercise of any options will no longer be subject to a right of repurchase by the Company, (2) all of the restricted stock then otherwise subject to repurchase by the Company shall be deemed to be fully vested (i.e. no longer subject to a right of repurchase or restriction by the Company), (3) all of the shares underlying restricted stock units then otherwise subject to future grant or award shall be fully granted, vested and distributed and no longer subject to a right of repurchase by the Company or to any other performance conditions, and (4) all then-vested and exercisable options (including for the avoidance of doubt the options becoming exercisable pursuant to this paragraph) shall continue to be exercisable by the Executive for the Severance Period (but not later than the original expiration date of such options).

(vi) The Company shall provide outplacement services through one or more outside firms of the Executive's choosing and reasonably acceptable to the Company up to an aggregate of \$45,000, with such services to extend until the earlier of (i) 18 months following the termination of Executive's employment or (ii) the date the Executive secures full time employment.

(b) Resignation without Good Reason; Termination for Death or Disability. If the Executive voluntarily terminates the Executive's employment with the Company within 12 months following the Change in Control Date, excluding a termination for Good Reason, or if the Executive's employment with the Company is terminated by reason of the Executive's death or Disability within 12 months following the Change in Control Date, then the Executive (or the Executive's estate, if applicable) shall be entitled to the following payments and benefits:

(i) The Company shall pay the Executive (or the Executive's estate, if applicable), in a lump sum, in cash, within 60 days after the Date of Termination, the sum of (A) the Executive's base salary through the Date of Termination, and (B) the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not previously paid; and

(ii) To the extent not previously paid or provided, the Company shall timely pay or provide to the Executive (or the Executive's estate, if applicable) any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive

9

following the Executive's termination of employment under any plan, program, policy, practice, contract or agreement of the Company and its affiliated companies.

(c) Termination for Cause. If the Company terminates the Executive's employment with the Company for Cause within 12 months following the Change in Control Date, then the Executive shall be entitled to the following payments and benefits:

(i) The Company shall pay the Executive, in a lump sum, in cash, within 60 days after the Date of Termination, the sum of (A) the Executive's base salary through the Date of Termination and (B) the amount of any compensation previously deferred by the Executive, in each case to the extent not previously paid; and

(ii) To the extent not previously paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive following the Executive's termination of employment under any plan, program, policy, practice, contract or agreement of the Company and its affiliated companies.

4.3 Taxes.

(a) Notwithstanding any other provision of this Agreement, except as set forth in Section 4.3(b), in the event that the Company undergoes a "Change in Ownership or Control" (as defined below), the Company shall not be obligated to provide to the Executive a portion of any "Contingent Compensation Payments" (as defined below) that the Executive would otherwise be entitled to receive to the extent necessary to eliminate any "excess parachute payments" (as defined in Section 280G(b)(1) of the Internal Revenue Code of 1986, as amended (the "Code")) for the Executive. For purposes of this Section 4.3, the Contingent Compensation Payments so eliminated shall be referred to as the "Eliminated Payments" and the aggregate amount determined in accordance with Treasury Regulation Section 1.280G-1, Q/A-30 or any successor provision) of the Contingent Compensation Payments so eliminated shall be referred to as the "Eliminated Amount."

(b) Notwithstanding the provisions of Section 4.3(a), no such reduction in Contingent Compensation Payments shall be made if (i) the Eliminated Amount (computed without regard to this sentence) exceeds (ii) 110% of the aggregate present value (determined in accordance with Treasury Regulation Section 1.280G-1, Q/A-31 and Q/A-32 or any successor provisions) of the amount of any additional taxes that would be incurred by the Executive if the Eliminated Payments (determined without regard to this sentence) were paid to him (including, state and federal income taxes on the Eliminated Payments, the excise tax imposed by Section 4999 of the Code payable with respect to all of the Contingent Compensation Payments in excess of the Executive's "base amount" (as defined in Section 280G(b)(3) of the Code), and any withholding taxes). The override of such reduction in Contingent Compensation Payments pursuant to this Section 4.3(b) shall be referred to as a "Section 4.3(b) Override." For purpose of this paragraph, if any federal or state income taxes would be attributable to the receipt of any Eliminated Payment, the amount of such taxes shall be computed by multiplying the amount of the Eliminated Payment by the maximum combined federal and state income tax rate provided by law.

10

(c) For purposes of this Section 4.3 the following terms shall have the following respective meanings:

(i) “Change in Ownership or Control” shall mean a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 280G(b)(2) of the Code.

(ii) “Contingent Compensation Payment” shall mean any payment (or benefit) in the nature of compensation that is made or made available (under this Agreement or otherwise) to a “disqualified individual” (as defined in Section 280G(c) of the Code) and that is contingent (within the meaning of Section 280G(b)(2)(A)(i) of the Code) on a Change in Ownership or Control of the Company.

(d) Any payments or other benefits otherwise due to the Executive following a Change in Ownership or Control that could reasonably be characterized (as determined by the Company) as Contingent Compensation Payments (the “Potential Payments”) shall not be made until the dates provided for in this Section 4.3(d). Within 10 days after each date on which the Executive first becomes entitled to receive (whether or not then due) a Contingent Compensation Payment relating to such Change in Ownership or Control, the Company shall determine and notify the Executive (with reasonable detail regarding the basis for its determinations) (i) which Potential Payments constitute Contingent Compensation Payments, (ii) the Eliminated Amount and (iii) whether the Section 4.3(b) Override is applicable. Within 30 days after delivery of such notice to the Executive, the Executive shall deliver a response to the Company (the “Executive Response”) stating either (A) that he agrees with the Company’s determination pursuant to the preceding sentence, or (B) that he disagrees with such determination, in which case he shall set forth (i) which Potential Payments should be characterized as Contingent Compensation Payments, (ii) the Eliminated Amount, and (iii) whether the Section 4.3(b) Override is applicable. To the extent any Contingent Compensation Payments are required to be treated as Eliminated Payments pursuant to this Section 4.3(d), then the Potential Payments shall be reduced or eliminated, as determined by the Company, in the following order: (A) any cash payments, (B) any taxable benefits, (C) any nontaxable benefits, and (D) any vesting of equity awards, in each case in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date that triggers the applicability of the excise tax, to the extent necessary to maximize the Eliminated Payments. If the Executive states in the Executive Response that he agrees with the Company’s determination, the Company shall make the Potential Payments to the Executive within three business days following delivery to the Company of the Executive Response (except for any Potential Payments which are not due to be made until after such date, which Potential Payments shall be made on the date on which they are due). If the Executive states in the Executive Response that he disagrees with the Company’s determination, then, for a period of 10 days following delivery of the Executive Response, the Executive and the Company shall use good faith efforts to resolve such dispute. If such dispute is not resolved within such 10-day period, such dispute shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator’s award in any court having jurisdiction. The Company shall, within three business days following delivery to the Company of the Executive Response, make to the Executive those Potential Payments as to which there is no dispute between the Company and the Executive regarding whether they should be made

11

(except for any such Potential Payments which are not due to be made until after such date, which Potential Payments shall be made on the date on which they are due). The balance of the Potential Payments shall be made within three business days following the resolution of such dispute. Subject to the limitations contained in Sections 4.3(a) and (b) hereof, the amount of any payments to be made to the Executive following the resolution of such dispute shall be increased by amount of the accrued interest thereon computed as set forth below.

(e) The provisions of this Section 4.3 are intended to apply to any and all payments or benefits available to the Executive under this Agreement or any other agreement or plan of the Company under which the Executive receives Contingent Compensation Payments.

4.4 Mitigation. For the avoidance of doubt, the Executive shall not be required to mitigate the amount of any payment or benefits provided for in this Section 4 by seeking other employment or otherwise. Further, subject to Section 8.1, the amount of any payment or benefits provided for in this Section 4 shall not be reduced by any compensation earned by the Executive as a result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company or otherwise.

4.5 Distributions.

(a) Subject to this Sections 4.5 and 8.1, payments or benefits under Section 4 of this Agreement shall begin only upon the date of Executive’s “separation from service” (determined as set forth below) which occurs on or after the Date of Termination. The following rules shall apply with respect to distribution of the payments and benefits, if any, to be provided to Executive under Section 4 of the Agreement, as applicable:

(i) It is intended that each installment of the payments and benefits provided under Section 4 of the Agreement shall be treated as a separate “payment” for purposes of Section 409A of the Internal Revenue Code of 1986, as amended, and the final Treasury regulations and guidance issued thereunder (“Section 409A”). Neither the Company nor Executive shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

(ii) If, as of the date of Executive’s “separation from service” from the Company, Executive is not a “specified employee” (each, for purposes of the Agreement, within the meaning of Section 409A), then each installment of the payments and benefits shall be made on the dates and terms set forth in Section 4 of the Agreement.

(iii) If, as of the date of Executive’s separation from service from the Company, Executive is a specified employee, then:

(A) Each installment of the payments and benefits due under Section 4 of the Agreement that, in accordance with the dates and terms set forth herein, will in all circumstances, regardless of when Executive’s separation from service occurs, be paid within the short-term deferral period (as defined under Section 409A) shall be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent permissible under Section 409A; and

12

(B) Each installment of the payments and benefits due under Section 4 of the Agreement that is not described in this Section 4.5(a)(iii)(A) and that would, absent this subsection, be paid within the six-month period following Executive’s separation from service from the Company shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, Executive’s death),

with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following Executive's separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein; provided, however, that the preceding provisions of this sentence shall not apply to any installment of payments and benefits if and to the maximum extent that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation Section 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any installments that qualify for the exception under Treasury Regulation Section 1.409A-1(b)(9)(iii) must be paid no later than the last day of Executive's second taxable year following the taxable year in which the separation from service occurs.

(b) The determination of whether and when Executive's separation from service from the Company has occurred shall be made and in a manner consistent with, and based on the presumptions set forth in, Treasury Regulation Section 1.409A-1(h). Solely for purposes of this Section 4.5(b) "Company" shall include all persons with whom the Company would be considered a single employer under Section 414(b) and 414(c) of the Code.

(c) All reimbursements and in-kind benefits provided under the Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in the Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement is not subject to set off or liquidation or exchange for any other benefit.

5. Disputes; Expenses.

5.1 Disputes. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board of Directors of the Company and shall be in writing. Any rejection by the Board of Directors of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the rejection and the specific provisions of this Agreement relied upon.

5.2 Expenses. Subject to Sections 4.5 and 8.1, the Company agrees to pay as incurred, the expenses of one law firm to review and negotiate this Agreement, and, to the fullest extent permitted by law, all legal, accounting and other fees and expenses which the Executive may reasonably incur as a result of any claim or contest (regardless of the outcome thereof) by the Company, the Executive or others regarding the validity or enforceability of, or liability

13

under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive regarding the amount of any payment or benefits pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable rate for prejudgment interest then in effect in the Commonwealth of Massachusetts.

5.3 Compensation During a Dispute. Subject to Sections 4.5 and 8.1, if rights of the Executive to receive benefits under Section 4 (or the amount or nature of the benefits to which he is entitled to receive) are the subject of a dispute between the Company and the Executive, the Company shall continue (a) to pay to the Executive the Executive's base salary in effect as of the Measurement Date and (b) to provide benefits to the Executive and the Executive's family at least equal to those which would have been provided to them, if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Measurement Date, until such dispute is resolved. Following the resolution of such dispute, the sum of the payments made to the Executive under clause (a) of this Section 5.3 shall be deducted from any cash payment which the Executive is entitled to receive pursuant to Section 4; and if such sum exceeds the amount of the cash payment which the Executive is entitled to receive pursuant to Section 4, the excess of such sum over the amount of such payment shall be repaid (without interest) by the Executive to the Company within 120 days of the resolution of such dispute.

6. Successors.

6.1 Successor to Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall be a breach of this Agreement and shall constitute Good Reason if the Executive elects to terminate employment, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to its business or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

6.2 Successor to Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive or the Executive's family hereunder if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

7. Notice. All notices, instructions and other communications given hereunder or in connection herewith shall be in writing. Any such notice, instruction or communication shall be sent either (i) by registered or certified mail, return receipt requested, postage prepaid, or (ii) prepaid via a reputable nationwide overnight courier service, in each case addressed to the Company, at Aspen Technology, Inc.; ATTN: General Counsel; 200 Wheeler Road; Burlington,

14

MA 01803, and to the Executive at the Executive's address indicated on the signature page of this Agreement (or to such other address as either the Company or the Executive may have furnished to the other in writing in accordance herewith). Any such notice, instruction or communication shall be deemed to have been delivered five business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent

via a reputable nationwide overnight courier service. Either party may give any notice, instruction or other communication hereunder using any other means, but no such notice, instruction or other communication shall be deemed to have been duly delivered unless and until it actually is received by the party for whom it is intended.

8. Miscellaneous.

8.1 Non-Disclosure and Non-Competition and Non-Solicitation. The Executive acknowledges and reaffirms the Executive's obligations with respect to non-disclosure, non-competition, and non-solicitation (and any other restrictions) reflected in the Proprietary and Confidential Information and Non-Competition and Non-Solicitation Agreement dated as of the date hereof and attached hereto. Notwithstanding any other provision of this Agreement, in the event the Executive is deemed by the Company to have violated Section 3(a) of such Proprietary and Confidential Information and Non-Competition and Non-Solicitation Agreement, the Company shall provide notice to the Executive and, upon the deemed delivery of such notice pursuant to Section 7, all amounts payable or benefits to be provided by the Company under Section 4 shall no longer be due and payable or required to be provided.

8.2 Section 409A of the Code. This Agreement is intended to comply with the provisions of Section 409A and the Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in the Agreement shall have the meanings given such terms under Section 409A if and to the extent required in order to comply with Section 409A.

8.3 Employment by Subsidiary. For purposes of this Agreement, the Executive's employment with the Company shall not be deemed to have terminated solely as a result of the Executive continuing to be employed by a wholly-owned subsidiary of the Company.

8.4 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

8.5 Injunctive Relief. The Company and the Executive agree that any breach of this Agreement by the Company is likely to cause the Executive substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Executive shall have the right to specific performance and injunctive relief.

8.6 Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal laws of the Commonwealth of Massachusetts, without regard to conflicts of law principles.

15

8.7 Waivers. No waiver by the Executive at any time of any breach of, or compliance with, any provision of this Agreement to be performed by the Company shall be deemed a waiver of that or any other provision at any subsequent time.

8.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but both of which together shall constitute one and the same instrument.

8.9 Tax Withholding. Any payments provided for hereunder shall be paid net of any applicable tax withholding required under federal, state or local law.

8.10 Entire Agreement. Except as set forth in this Section 8.10, this Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled. Notwithstanding the preceding sentence, the agreement referenced in Section 8.1 remains in full force and effect.

8.11 Amendments. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Executive.

8.12 Executive's Acknowledgements. The Executive acknowledges that the Executive: (a) has read this Agreement; (b) has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of the Executive's own choice or has voluntarily declined to seek such counsel; (c) understands the terms and consequences of this Agreement; and (d) understands that the law firm of K&L Gates LLP is acting as counsel to the Company in connection with the transactions contemplated by this Agreement, and is not acting as counsel for the Executive.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

ASPEN TECHNOLOGY, INC.

By: /s/ Don Casey

Name: Don Casey
Title: Director

/s/ Antonio Pietri

Antonio Pietri

Address: 143 Lincoln St.

Lexington, MA 02421

16

GENERAL RELEASE OF CLAIMS

This General Release of Claims (the "General Release") is being executed by Antonio Pietri ("Employee"), for and in consideration of certain amounts payable under the Amended and Restated Executive Retention Agreement (the "Agreement") entered into between him and Aspen Technology, Inc. (the "Company"), dated as of [], 2013. Employee agrees as follows:

Employee, on behalf of himself and his agents, heirs, executors, administrators, successors and assigns, hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Company, its officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities) (hereinafter, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature that he ever had or now has against the Released Parties, including, but not limited to, any and all claims arising out of or relating to his employment with and/or separation from the Company, including, but not limited to, all claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq., the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., the Worker Adjustment and Retraining Notification Act ("WARN"), 29 U.S.C. § 2101 et seq., Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002, 18 U.S.C. 1514(A), the Rehabilitation Act of 1973, 29 U.S.C. § 701 et seq., the Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq., the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001 et seq., Employee Order 11246, and Employee Order 11141, all as amended; all claims arising out of the Massachusetts Fair Employment Practices Act, M.G.L. c. 151B, § 1 et seq., the Massachusetts Civil Rights Act, M.G.L. c. 12, §§ 11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c. 93, § 102 and M.G.L. c. 214, § 1C, the Massachusetts Labor and Industries Act, M.G.L. c. 149, § 1 et seq., the Massachusetts Privacy Act, M.G.L. c. 214, § 1B, and the Massachusetts Maternity Leave Act, M.G.L. c. 149, § 105D, all as amended; all common law claims including, but not limited to, actions in defamation, intentional infliction of emotional distress, misrepresentation, fraud, wrongful discharge, and breach of contract, all claims to any non-vested ownership interest in the Company, contractual or otherwise, and any claim or damage arising out of his employment with and/or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that (a) nothing in this General Release prevents Employee from filing a charge with, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission or a state fair employment practices agency (except that Employee acknowledges that he may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding); and (b) this General Release does not include (i) any right to vested benefits to which Employee may be entitled under any Company benefit plan; (ii) any rights Employee may have under the terms of this General Release; (iii) any right to indemnification arising out of Employee's employment with the Company pursuant to any policy

of insurance maintained by the Company; and (iv) any rights that the Employee has under the Agreement.

Employee acknowledges that he has been given at least twenty-one (21) days to consider this General Release, and that the Company advised him to consult with an attorney of his own choosing prior to signing this General Release. Employee understands that he may revoke this General Release for a period of seven (7) days after he signs this General Release by notifying the Company's General Counsel, in writing, and the General Release shall not be effective or enforceable until the expiration of this seven (7) day revocation period. Employee understands and agrees that by entering into this General Release, he is waiving any and all rights or claims he might have under the Age Discrimination in Employment Act, as amended by the Older Workers Benefits Protection Act, and that he has received consideration beyond that to which he was previously entitled.

IN WITNESS WHEREOF, the parties hereto have executed this General Release as of the day and year set forth below.

ASPEN TECHNOLOGY, INC.

By: _____

Title: _____

Date: _____

Date: _____

**PROPRIETARY AND CONFIDENTIAL
INFORMATION AND
NON-COMPETITION AND NON-SOLICITATION AGREEMENT**

This Proprietary and Confidential Information and Non-Competition and Non-Solicitation Agreement (the "Agreement") is made by and between Aspen Technology, Inc. (the "Company") and Antonio J. Pietri (the "Employee") as of July 1, 2013.

1. Condition of Employment and Additional Consideration.

The Employee acknowledges that his/her employment and/or the continuance of that employment with the Company is contingent upon his/her agreement to sign and adhere to the provisions of this Agreement. The Employee acknowledges that the nature of the Company's business is such that protection of its proprietary and confidential information is critical to the business' survival and success.

2. Proprietary and Confidential Information.

(a) The Employee agrees that all information and know-how, whether or not in writing, of a private, proprietary, secret or confidential nature concerning the Company's business or financial affairs (collectively, "Proprietary Information") is and shall be the exclusive property of the Company. By way of illustration but not limitation, Proprietary Information may include systems, software and codes, or systems, software and codes in the course of development, or planned or proposed systems, software or codes, customer and prospect lists, contacts at or knowledge of customers or prospective customers, customer accounts and other customer financial information, price lists and all other pricing, marketing and sales information relating to the Company or any customer or supplier of the Company, databases, modules, products, processes, methods, techniques, operations, projects, developments, plans, research data, financial data and personnel data. The Employee will not disclose any Proprietary Information to others outside the Company or use the same for any unauthorized purposes without written approval by an officer of the Company, either during or at any time after employment, unless and until such Proprietary Information has become public knowledge without fault by the Employee. While employed by the Company, the Employee will use the Employee's best efforts to prevent publication or disclosure of any confidential or Proprietary Information concerning the business, products, processes or affairs of the Company.

(b) The Employee agrees that all disks, software, computers, files, letters, memoranda, reports, records, data, drawings, notebooks, program listings, or written, photographic, or any other record or copy thereof containing Proprietary Information, whether created by the Employee or others, which shall come into the Employee's custody or possession, shall be and are the exclusive property of the Company to be used only in the performance of the Employee's duties for the Company. Upon termination or earlier, upon request of the Company, the Employee agrees to return to the Company any and all originals and/or copies of materials in the Employee's custody or possession containing Proprietary Information.

(c) The Employee acknowledges that his/her obligations with regard to Proprietary Information that are set out in paragraphs (a) and (b) above, extend to all information, know-how, records and tangible property of customers of the Company or suppliers to the Company or of any third party who may have disclosed or entrusted the same to the Company or to the Employee in the course of the Company's business.

(d) All Proprietary Information in any form, whether patentable or copyrightable or not, which the Employee generates either solely or jointly during Employee's employment by the Company, excluding information developed outside the scope of employ as approved in writing by Employee's manager, (the "Developments") will be the sole and exclusive property of the Company (and in the case of copyrightable material, will be a "WORK MADE FOR HIRE" by the Employee for the Company). Employee will promptly and fully disclose all Developments to the Company and, if deemed necessary by the Company and at the Company's expense, will execute and deliver such instruments as the Company may request to protect its right, title, and interest in and to any of the Developments.

(e) Notwithstanding the foregoing, "Proprietary Information" shall not include any information that (i) is or become generally known to and available for use by the public or in the Company's industry other than as a result of any act or omission by the Employee, (ii) was in the possession of the Employee prior to the disclosure of the Proprietary Information by the Company, or (iii) Employee acquires outside of the relationship between the parties to this Agreement, from a third party that is lawfully in possession of such Proprietary Information and under no obligation of confidence to a disclosing party.

3. Non-Competition and Non-Solicitation.

While the Employee is employed by the Company and for a period of twelve (12) months following the Employee's termination or cessation of such employment for any reason, the Employee will not directly or indirectly:

(a) Engage in any project that is substantially similar to or competitive with any project in which the Employee was engaged in the 12 months immediately prior to his/her termination or cessation;

(b) Either alone or in association with others, recruit, solicit, induce, hire or engage as an independent contractor or attempt to recruit, solicit, induce, hire or engage as an independent contractor, any person who was employed by the Company at any time during the period of the Employee's employment with the Company, except for an individual whose employment with the Company has been terminated for a period of six months or longer at the time of such recruitment, solicitation, inducement, hire or engagement as an independent contractor; and

(c) Either alone or in association with others, solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company which were contacted, solicited or served by the Employee while he/she was employed by the Company during the last twelve months of Employee's employment with the Company, and induce the same either (a) to cease to do business with the Company, or (b) to do business with any other firm, partnership, or entity, in actual or proposed competition with the Company, except in connection with the performance of business or patronage of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company that is not competitive with the business of the Company.

(d) The Employee acknowledges that the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and are considered by the Employee to be reasonable for such purpose. The Employee agrees that any breach of this Agreement will cause the Company substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Company shall have the right to seek specific performance and injunctive relief without posting a bond.

(e) The geographic scope of this Section shall extend to anywhere the Company or any of its subsidiaries is doing business, has done business or has plans to do business and any region in which the Employee had customer contact or access to information and files regarding customers.

(f) If any restriction set forth in this Section 3 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

4. Other Agreements.

The Employee hereby represents that, except as the Employee has disclosed in writing to the Company, the Employee is not bound by the terms of any agreement with any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of his/her employment with the Company or to refrain from competing, directly or indirectly, with the business of such previous employer or any other party. The Employee further represents that his/her performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by the Employee in confidence or in trust prior to his/her employment with the Company, and the Employee will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

5. Not An Employment Contract.

The Employee acknowledges that this Agreement does not constitute a contract of employment and does not imply that the Company will continue the Employee's employment for any period of time.

6. General Provisions.

(a) No Conflict. The Employee represents that the execution and performance by him/her of this Agreement does not and will not conflict with or breach the terms of any other agreement by which the Employee is bound.

(b) Entire Agreement. This Agreement supersedes all prior agreements, written or oral, between the Employee and the Company relating to the subject matter of this Agreement. This Agreement may not be modified, changed or discharged in whole or in part, except by an agreement in writing signed by the Employee and the Company. The Employee agrees that any change or changes in his/her employment duties, or compensation after the signing of this Agreement shall not affect the validity or scope of this Agreement.

(c) Severability. The invalidity or unenforceability of any portion of this Agreement shall not affect or impair the validity or enforceability of any other portion of this Agreement.

(d) Waiver. No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

(e) Successor and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation or entity with which or into which the Company may be merged or which may succeed to all or substantially all of its assets or business, provided however that the obligations of the Employee are personal and shall not be assigned by the Employee.

(f) Governing Law, Forum and Jurisdiction. This Agreement shall be governed by and construed as a sealed instrument under and in accordance with the laws of the Commonwealth of Massachusetts without regard to conflict of laws provisions. Any action, suit, or other legal proceeding which is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Massachusetts (or, if appropriate, a federal court located within Massachusetts), and the Company and the Employee each consents to the jurisdiction of such a court.

(g) Captions. The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

THE EMPLOYEE ACKNOWLEDGES THAT HE/SHE HAS CAREFULLY READ THIS AGREEMENT AND UNDERSTANDS AND AGREES TO ALL OF THE PROVISIONS IN THIS AGREEMENT.

WITNESS our hands and seals:

EMPLOYEE

ASPEN TECHNOLOGY, INC.

/s/ Antonio J. Pietri
(Signature)

By: /s/ Don Casey
(Signature)

Antonio J. Pietri
(Print Name)

Don Casey
(Print Name)

April 24th, 2013
(Date)

Director
(Print title)

April 24th, 2013
(Date)

LIST OF SUBSIDIARIES OF ASPEN TECHNOLOGY, INC.

	Name of Subsidiary	State or Country of Incorporation
1.	AspenTech Argentina S.R.L.	Argentina
2.	Aspen Technology Australia Pty. Ltd.	Australia
3.	Aspen Technology WLL	Bahrain
4.	AspenTech Europe S.A./N.V.	Belgium
5.	AspenTech Software Brazil Ltda.	Brazil
6.	AspenTech Canada Corporation	Canada
7.	Aspen Technology S.A.S.	Colombia
8.	Aspen Tech India Pte. Ltd.	India
9.	Aspen Technology S.r.l.	Italy
10.	AspenTech Japan Co. Ltd.	Japan
11.	AspenTech Solutions Sdn. Bhd.	Malaysia
12.	Aspen Tech de Mexico, S. de R.L. de C.V.	Mexico
13.	AspenTech Europe B.V.	Netherlands
14.	AspenTech (Beijing) Co., Ltd.	PRC
15.	AspenTech (Shanghai) Co., Ltd.	PRC
16.	Aspen Technology LLC	Russia
17.	AspenTech Pte. Ltd.	Singapore
18.	AspenTech Africa (Pty.) Ltd.	South Africa
19.	Aspen Technology S.L.	Spain
20.	AspenTech (Thailand) Ltd.	Thailand
21.	AspenTech Ltd.	UK
22.	Hyprotech UK Ltd.	UK
23.	AspenTech Canada Holdings, LLC	USA
24.	AspenTech Holding Corporation	USA
25.	Aspen Technology (Asia), Inc.	USA
26.	Aspen Technology International, Inc.	USA
27.	Aspen Technology Services Corporation	USA
28.	AspenTech Software Corporation	USA
29.	AspenTech Venezuela, C.A.	Venezuela

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Aspen Technology, Inc.

We consent to the incorporation by reference in the registration statements (No. 333-42538, 333-42540, 333-71872, 333-117637, 333-118952, 333-128423, and 333-169657) on Form S-8 of Aspen Technology, Inc. (the "Company") of our report dated August 15, 2013 with respect to the consolidated balance sheets of the Company as of June 30, 2013 and 2012 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2013, and the effectiveness of internal control over financial reporting as of June 30, 2013, which reports appear in the June 30, 2013 annual report on Form 10-K of the Company.

/s/ KPMG LLP

Boston, Massachusetts
August 15, 2013

QuickLinks

[Exhibit 23.1](#)

[Consent of Independent Registered Public Accounting Firm](#)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark E. Fusco, certify that:

1. I have reviewed this Annual Report on Form 10-K of Aspen Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2013

/s/ MARK E. FUSCO

Mark E. Fusco
President and Chief Executive Officer
(Principal Executive Officer)

QuickLinks

[Exhibit 31.1](#)

[CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002](#)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark P. Sullivan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Aspen Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2013

/s/ MARK P. SULLIVAN

Mark P. Sullivan
*Executive Vice President and Chief Financial Officer
(Principal Financial Officer)*

QuickLinks

[Exhibit 31.2](#)

[CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002](#)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Aspen Technology, Inc. (the "Company") for the year ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies in his capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 15, 2013

/s/ MARK E. FUSCO

Mark E. Fusco
President and Chief Executive Officer

Date: August 15, 2013

/s/ MARK P. SULLIVAN

Mark P. Sullivan
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Aspen Technology, Inc. and will be retained by Aspen Technology, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

QuickLinks

[Exhibit 32.1](#)

[CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)