

PROGRESS SOFTWARE CORP /MA

FORM 10-K (Annual Report)

Filed 01/29/10 for the Period Ending 11/30/09

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Industry	Software & Programming
Sector	Technology
Fiscal Year	11/30

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

FORM 10-K

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

For the Fiscal Year Ended November 30, 2009

or

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

Commission File Number: 033-41752

PROGRESS SOFTWARE CORPORATION

(Exact name of registrant as specified in its charter)

MASSACHUSETTS
(State or Other Jurisdiction of Incorporation or Organization)

04-2746201
(I.R.S. Employer Identification No.)

14 Oak Park
Bedford, Massachusetts 01730
(Address of Principal Executive Offices)
Telephone Number: (781) 280-4000

Securities registered pursuant to Section 12(b) of the Act:

Table with 2 columns: Title of Each Class, Name of Each Exchange on Which Registered. Row 1: Common Stock \$.01 par value, The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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

Indicate by check mark 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [] No [X]

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

Large accelerated filer [X] Accelerated filer [] Non-accelerated filer [] Smaller reporting company []
(Do not check if a smaller reporting company)

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

As of May 31, 2009 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of voting stock held by non-affiliates of the registrant was approximately \$895,000,000.

As of January 23, 2010, there were 41,269,000 common shares outstanding.

Documents Incorporated By Reference

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 27, 2010 are incorporated by reference into Part III.

PROGRESS SOFTWARE CORPORATION
FORM 10-K
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009
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CAUTIONARY STATEMENTS

The Private Securities Litigation Reform Act of 1995 contains certain safe harbor provisions regarding forward-looking statements. This Form 10-K, and other information provided by us or statements made by our directors, officers or employees from time to time, may contain “forward-looking” statements and information, which involve risks and uncertainties. Actual future results may differ materially. Statements indicating that we “expect,” “estimate,” “believe,” “are planning” or “plan to” are forward-looking, as are other statements concerning future financial results, product offerings or other events that have not yet occurred. There are various factors that could cause actual results or events to differ materially from those anticipated by the forward-looking statements. Such factors are more fully described in Item 1A of this Form 10-K under the heading “Risk Factors.” Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized. We also cannot assure you that we have identified all possible issues which we might face. We undertake no obligation to update any forward-looking statements that we make.

Item 1. Business

Overview

We are a global enterprise software company that enables organizations to achieve higher levels of business performance by improving their operational responsiveness. Operational responsiveness is the ability of business processes and systems to respond to changing business conditions and customer interactions as they occur. We offer a portfolio of best-in-class, real-time business solutions providing visibility into business systems and processes, event processing to respond to business events that could affect performance, and business process management enabling businesses to continually improve business processes with no disruption to their business. We also provide enterprise data solutions (data access and integration) and application development platforms (for application development and management, and SaaS enablement). We maximize the benefits of operational responsiveness while minimizing information technology (IT) complexity and total cost of ownership.

For 2010 we have reorganized into three business units: Application Development Platforms, Enterprise Business Solutions and Enterprise Data Solutions. Our product lines comply with open standards, deliver high levels of performance and scalability and provide a low total cost of ownership. Our products are generally sold under perpetual licenses, but certain product lines and business activities also utilize a term or subscription licensing model.

Our Application Development Platforms business unit includes the OpenEdge product set which enables independent software vendors (ISVs) and end-user organizations to develop, deploy and manage sophisticated business applications in complex business environments. Our Orbix and ObjectStore products are also part of this business unit.

Our Enterprise Business Solutions business unit includes solutions that provide responsive integration, business transaction management and real-time business visibility, business event processing, and business process management. Products in this business unit include the Apama complex event processing platform, the Actional business transaction management platform, the recently acquired Savvion business process management suite, and Sonic integration products.

Our Enterprise Data Solutions business unit helps deliver operational responsiveness with the right information, in the right form, at the right time. This business unit includes solutions and products that provide data management, data integration, replication, caching, access, and security capabilities spanning multiple data sources. Enterprise Data Solutions enables enterprises to solve three important challenges: (1) access and integrate fragmented enterprise data and deliver actionable information in real time; (2) leverage mainframe data and applications with different architectures; and (3) connect applications on various platforms to numerous data sources. Products in this business unit include the Progress Data Services, Progress DataDirect Shadow and Progress DataDirect Connect.

Approximately half of our worldwide revenue is realized through relationships with indirect channel partners, principally application partners and original equipment manufacturers (OEMs). Application partners are ISVs that develop and market applications using our technology and resell our products in conjunction with sales of their own products that incorporate our technology. These application partners sell business applications in diverse industries such as manufacturing, distribution, financial services, retail, government and health care. OEMs are companies that embed our products into their own software products or devices. We operate in North America, Latin America, Europe, Middle East, Africa (EMEA) and the Asia/Pacific region through local subsidiaries as well as independent distributors.

On January 8, 2010, we acquired Savvion, Inc., a privately held business enterprise software company based in Santa Clara, California, for approximately \$49 million, net of cash acquired. Savvion is a provider of business process management software. The Savvion product set will become part of our Enterprise Business Solutions business unit.

Our Products

The following descriptions detail our significant products within each business unit:

Application Development Platforms business unit:

Progress® OpenEdge®

The Progress® OpenEdge® platform, with more than 60,000 customers worldwide, is a comprehensive platform for the rapid development and deployment of business applications that are standards-based and service-oriented. OpenEdge-based applications can be deployed and managed over many computer platforms as well as under a SaaS platform. OpenEdge provides a unified environment comprising development tools, application servers, application management tools, an embedded database, and the capability to connect and integrate with other applications and data sources. The primary products included in this product set are OpenEdge® Studio, OpenEdge® RDBMS, OpenEdge® Application Server, OpenEdge® DataServers, OpenEdge® Management and OpenEdge® Replication.

Progress® Orbix®

Progress® Orbix® is one of the market-leading implementations of CORBA and is embedded in telephone switches, online brokerage systems, multimedia news delivery, airline front desk systems, rail and road traffic control, large scale banking systems, credit card clearance, subway management and CAD systems. Orbix exemplifies our dedication to addressing high-end enterprise integration problems with standards-based solutions. Orbix is the enterprise CORBA product utilized by organizations when high performance, high availability, and security and systems management are critical. The primary products included in this product set are Orbix and Orbacus.

Progress® ObjectStore®

The Progress® ObjectStore® object data management system enables users to store data much faster than with a relational database management system or file-based storage system. The ObjectStore product provides transactional and high-availability features utilized in distributed enterprises, but with less code than traditional database technology. The ObjectStore product provides high-performance data management with faster time to market.

Enterprise Business Solutions business unit:

Progress® Sonic™

The Progress® Sonic™ product set helps IT organizations achieve broad-scale interoperability of IT systems and the flexibility to adapt these systems to rapidly changing business needs. Sonic products include an enterprise messaging system and one of the leading Enterprise Service Buses (ESB). Sonic products simplify the integration and flexible reuse of diverse and often proprietary business systems by manipulating them as modular, standards-based services, which can be rapidly combined to serve enterprises in new ways. Sonic ESB® provides reliable integration of a SOA that incorporates multiple sites or management domains. Unique clustering technology and Continuous Availability Architecture (CAA) ensure scalable processing that never loses messages and never goes down. Through patent-pending CAA, Sonic products can guarantee timely and continuous delivery of mission-critical business events. The unique capabilities of the Artix® product set, which was acquired as part of our acquisition of IONA Technologies PLC (IONA), are being combined into Sonic. The primary products included in this product set are Sonic ESB, SonicMQ®, Sonic Orchestration Server and Sonic WorkBench.

Progress® Actional®

Progress® Actional® provides operational and business visibility, root cause analysis, policy-based security and control of services in a heterogeneous environment. Actional can be used early in the lifecycle to enable pre-production teams to address service quality before runtime, and Actional's comprehensive visibility and management tools can be efficiently applied to production applications. The primary products included in this product set are Actional Enterprise, Actional Diagnostics and Actional Application Development.

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Progress® Apama®

Progress® Apama® is one of the leading platforms in capital markets for building high frequency trading applications. The Apama platform offers flexible and powerful complex event processing (CEP) capabilities and broad market connectivity. Apama also gives firms the tools for creating, testing and deploying unique strategies for low latency, high throughput applications including algorithmic trading, market aggregation, smart order routing, market surveillance and monitoring, and real-time risk management. CEP helps businesses achieve operational responsiveness by uncovering events or event patterns in data streams that signal new opportunities, critical threats, or changing conditions or factors that impact the organization. With Apama, business events can be correlated and analyzed across multiple data streams in real-time.

Savvion

Savvion BusinessManager™ is one of the leading business process management software products with tools that provide an efficient way for customers to drive business process innovation. Savvion provides customers the tools to create and optimize process-driven solutions and flexible interfaces to manage daily work with real-time visibility into business processes.

FUSE®

FUSE® is our open source family of distributed SOA infrastructure products for companies seeking an open source option for system integration and SOA implementation. The FUSE ESB is an open source product based on the Apache Software Foundation projects: ServiceMix, ActiveMQ, CXF, and Camel. FUSE Message Broker is an open source, standards-based enterprise messaging system that is based on Apache ActiveMQ. FUSE ESB, FUSE Message Broker and other FUSE offerings are certified releases of certain Apache projects.

Enterprise Data Solutions business unit:

Progress® DataDirect® Connect®

Progress® DataDirect® Connect® products provide data connectivity components that use industry-standard interfaces to connect applications running on various platforms to any major database. With components embedded in the products of over 250 software companies and in the applications of thousands of large enterprises, the DataDirect Connect product set is a global leader in the data connectivity market.

Progress® DataDirect® Shadow®

The Progress® DataDirect® Shadow® product is a multi-threaded, native runtime architecture and consolidated development environment providing a real-time foundation architecture for standards-based mainframe integration. The Shadow product supports Web services for SOA, real-time events for event-driven architecture, SQL for direct data access and transactional support and automatic presentation layer generation for extending screen-based applications to the Web. The primary products included in this product set are Shadow, Shadow z/Direct and Shadow z/Services.

Progress® Data Services

The Progress® Data Services product set provides data integration for distributed applications, delivering real-time transactional views of shared data in the form that applications need. The Progress DataXtend Semantic Integrator product offers a unique approach to the data management problems often associated with SOA, employing a common semantic data model to create sophisticated data transformations, enabling organizations to integrate heterogeneous data sources with no disruption to existing applications. The primary products included in this product set are DataXtend Semantic Integrator (SI), DataXtend CE and DataXtend RE.

Segments

In the fourth quarter of fiscal 2009, we reorganized into three business units, which meet the criteria for segment reporting, for fiscal 2010: (1) Application Development Platforms, which includes the OpenEdge, Orbix and ObjectStore products; (2) Enterprise Business Solutions, which includes the Apama, Sonic, Progress Actional and FUSE products; and (3) Enterprise Data Solutions, which includes the DataDirect Connect, DataDirect Shadow and Data Services products.

In fiscal 2009 we were organized in three business units which were reportable segments: (1) OpenEdge, which includes the OpenEdge products; (2) Enterprise Infrastructure, which includes the Apama, Sonic, Actional, Orbix and FUSE products; and (3) Data Infrastructure, which includes the DataDirect Connect, DataDirect Shadow, DataXtend and ObjectStore products. For financial information relating to business segments and international operations, see Note 12 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

Product Development

Most of our products have been developed by our internal product development staff or the internal staffs of acquired companies. We believe that the features and performance of our products are competitive with those of other available development and deployment tools and that none of the current versions of our products are approaching obsolescence. However, we believe that significant investments in new product development and continuing enhancements of our current products will be required to enable us to maintain our competitive position.

For example, some of our newer products, such as the Actional, DataXtend and Apama product lines, require a higher level of development, distribution and support expenditures, on a percentage of revenue basis, than some of our other product lines. If revenue generated from these products grows as a percentage of our total revenue and if the expenses associated with these products do not decrease on a percentage of revenue basis, then our operating margins will be adversely affected.

Our product development staff consisted of 603 employees as of November 30, 2009. We have seven primary development offices in North America, four primary development offices in EMEA and one development office in India. We spent \$93.3 million, \$87.8 million and \$80.3 million in fiscal years 2009, 2008 and 2007, respectively, on product development.

Customers

We globally market our products directly to end-users and through indirect channels, primarily application partners. Purchasers of our solutions and products through our direct sales force are generally either business managers or IT managers in corporations and government agencies. In addition, we market our DataDirect Connect and, to a lesser extent, products such as Sonic, ObjectStore and DataXtend to OEMs who embed and resell these products as part of an integrated solution. We use international distributors in certain countries where we do not have a direct presence. No single customer has accounted for more than 10% of our total revenue in any of our last three fiscal years.

Application Partners

Our application partners cover a broad range of markets, offer an extensive library of business applications and are a source of follow-on revenue. We have kept entry costs, consisting of primarily the initial purchase of development licenses, low to encourage a wide variety of application partners to build applications. If an application partner succeeds in marketing its applications, we obtain follow-on revenue as the application partner licenses our deployment products to allow its application to be installed and used by customers. We offer a subscription model alternative to the traditional perpetual license model for application partners who have chosen to enable their business applications under a SaaS platform.

Original Equipment Manufacturers (OEMs)

We enter into arrangements with OEMs whereby the OEM embeds our products into its solutions, typically either software or technology devices. OEMs typically license the right to embed our products into their solutions and distribute such solutions for initial terms ranging from one to three years. Historically, a significant portion of our OEMs have renewed their agreement upon the expiration of the initial term, although no assurance can be made that these renewals will continue in the future.

Sales and Marketing

We sell our products and solutions through our direct sales force and through independent distributors in certain countries outside North America. We have sold our products to customers in over 180 countries. The sales, marketing and service groups are organized by direct and indirect channels and by region. We operate by region in the Americas, EMEA and Asia/Pacific. We believe that this structure allows us to maintain direct contact with our customers and support their diverse market requirements. Our international operations provide focused local sales and marketing efforts and are able to respond directly to changes in local conditions.

Sales personnel are responsible for developing new direct end-user accounts, recruiting new indirect channel partners, managing existing channel partner relationships and servicing existing customers. We actively seek to avoid conflict between the sales efforts of our application partners and our own direct sales efforts. We use our inside sales team to enhance our direct sales efforts and to generate new business and follow-on business from existing customers.

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Our marketing groups conduct a variety of marketing programs designed to ensure a stream of market-ready products, raise the general awareness of our company and our business units, generate leads for the sales organization and promote our various product lines. These programs include public relations, digital/online promotion, direct mail, participation in trade shows, advertising and production of collateral literature. We also hold regional user conference events in various locations throughout the world.

Customer Support

Our customer support staff provides telephone and Web-based support to application developers and end-users. Customers may purchase maintenance services entitling them to software updates, technical support and technical bulletins. First year maintenance and any subsequent annual renewals are not included with our products and are purchased separately. We provide support to customers primarily through our main regional customer support centers in Bedford, Massachusetts; Morrisville, North Carolina; Rotterdam, The Netherlands; and Melbourne, Australia. Local technical support for specific products is provided in certain other countries as well.

Professional Services

Our global professional services organization delivers business solutions for customers through a combination of products, consulting and education. Our consulting organization offers project management, custom development, programming, application implementation and other services. Our consulting organization also provides services to Web-enable existing applications or to take advantage of the capabilities of new product releases. Our education organization offers numerous training options, from traditional instructor-led courses to advanced learning modules available on CDs.

Competition

The computer software industry is intensely competitive. We experience significant competition from a variety of sources with respect to all our products. We believe that the breadth and integration of our product offerings have become increasingly important competitive advantages. Other factors affecting competition in the markets we serve include product performance in complex applications, application portability, vendor experience, ease of integration, price, training and support.

We compete in various markets with a number of entities including database vendors offering development tools in conjunction with their database systems, such as Microsoft Corporation, Oracle Corporation and IBM Corporation, as well as numerous enterprise application integration vendors, messaging vendors, event processing vendors and application development tools vendors. We believe that Oracle, Microsoft and IBM currently dominate the database market and that IBM currently dominates the messaging market. We do not believe that there is a dominant application development tools vendor, event processing vendor or integration infrastructure vendor. Some of our competitors have greater financial, marketing or technical resources than we have and may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than we can. Increased competition could make it more difficult for us to maintain our revenue and market presence.

Copyrights, Trademarks, Patents and Licenses

We rely upon a combination of contractual provisions and copyright, patent, trademark and trade secret laws to protect our proprietary rights in our products. We generally distribute our products under software license agreements that grant customers a perpetual nonexclusive license to use our products and contain terms and conditions prohibiting the unauthorized reproduction or transfer of our products. We also license our products under term or subscription arrangements. In addition, we attempt to protect our trade secrets and other proprietary information through agreements with employees and consultants. Although we intend to protect our rights vigorously, there can be no assurance that these measures will be successful.

We seek to protect the source code of our products as trade secrets and as unpublished copyrighted works. We hold over 50 patents covering portions of our products. We also have approximately 50 patent applications for some of our other product technologies. Where possible, we seek to obtain protection of our product names and service offerings through trademark registration and other similar procedures throughout the world.

Actional, Apama, Artix, DataDirect, DataDirect Connect, DataDirect Connect64, DataDirect XML Converters, DataDirect XQuery, DataXtend, FUSE Mediation Router, FUSE Message Broker, FUSE Services Framework, IONA, ObjectStore, OpenEdge, Orbix, Progress, Progress DataXtend, Progress OpenEdge, Progress Software Developers Network, Progress Sonic, ProVision, SequeLink, Shadow, Sonic, Sonic ESB, SonicMQ, Stylus Studio, WebSpeed, and Xcalia (and design) are registered trademarks of Progress Software Corporation or one of our subsidiaries or affiliates in the United States and/or other countries. FUSE, OpenAccess, Orbacus, PSE Pro, and Shadow z/Direct are trademarks of Progress Software Corporation or one of our

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subsidiaries in the United States and/or other countries. Any other trademarks or trade names appearing in this Annual Report on Form 10-K are the property of their respective owners.

We believe that due to the rapid pace of innovation within our industry, factors such as the technological and creative skills of our personnel are as important in establishing and maintaining a leadership position within the industry as are the various legal protections of our technology. In addition, we believe that the nature of our customers, the importance of our products to them and their need for continuing product support may reduce the risk of unauthorized reproduction, although no assurance can be made in this regard.

Employees

As of November 30, 2009, we had 1,821 employees worldwide, including 639 in sales and marketing, 332 in customer support and services, 603 in product development and 247 in administration. None of our U.S. employees are subject to a collective bargaining agreement. Employees in certain foreign jurisdictions are represented by local workers' councils and/or collective bargaining agreements as may be customary or required in those jurisdictions. We have experienced no work stoppages and believe our relations with employees are good.

We have various equity incentive plans that permit the granting of stock awards to eligible employees and the purchase of shares by eligible employees. The payment of cash bonuses and contributions to retirement plans is at the discretion of the compensation committee of our Board of Directors and the amounts primarily depend on the level of attainment relative to our financial plan. We design these programs to reward employees for performance and reduce employee turnover, although there can be no assurance that such programs will be successful.

Executive Officers of the Registrant

Information about our executive officers is incorporated by reference from Part III, Item 10 of this Annual Report.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including exhibits, and amendments to those reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at www.progress.com as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (SEC). The information posted on our website is not incorporated into this Annual Report.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves certain risks and uncertainties, some of which are beyond our control. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results.

Our revenue and quarterly results may fluctuate, which could adversely affect our stock price. We have experienced, and may in the future experience, significant fluctuations in our quarterly operating results that may be caused by many factors. These factors include:

- changes in demand for our products;
- introduction, enhancement or announcement of products by us or our competitors;
- market acceptance of our new products;
- the growth rates of certain market segments in which we compete;
- size and timing of significant orders;
- budgeting cycles of customers;
- mix of distribution channels;
- mix of products and services sold;
- mix of international and North American revenues;
- fluctuations in currency exchange rates;
- changes in the level of operating expenses;
- the amount of our stock-based compensation;
- reorganizations of our salesforce;

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- changes in our sales incentive plans;
- completion or announcement of acquisitions by us or competitors;
- customer order deferrals in anticipation of new products announced by us or our competitors; and
- general economic conditions in regions in which we conduct business.

Revenue forecasting is uncertain, and the failure to meet our forecasts could result in a decline in our stock price. Most of our expenses are relatively fixed, including costs of personnel and facilities, and are not easily reduced. Thus, an unexpected reduction in our revenue, or failure to achieve the anticipated rate of growth, would have a material adverse effect on our profitability. If our operating results do not meet our publicly stated guidance, if any, or the expectations of investors, our stock price may decline.

Weakness in the U.S. and international economies may result in fewer sales of our products and may otherwise harm our business. We are subject to the risks arising from adverse changes in global economic conditions, especially those in the U.S., Europe and the Asia-Pacific region. Economic activity in the United States declined for much of calendar 2009 and macroeconomic conditions also have deteriorated worldwide in calendar 2009. If this economic weakness continues or worsens, customers may delay, reduce or forego technology purchases, both directly and through our application partners and OEMs. This could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition. Further, deteriorating economic conditions could adversely affect our customers and their ability to pay amounts owed to us. Any of these events would likely harm our business, results of operations and financial condition.

Our international operations expose us to additional risks, and changes in global economic and political conditions could adversely affect our international operations, our revenue and our net income . In the past few fiscal years, we have generated between 50% and 60% of our total revenue from sales outside North America. Political instability, oil price shocks and armed conflict in various regions of the world can lead to economic uncertainty and may adversely influence our business. If customers' buying patterns, such as decision-making processes, timing of expected deliveries and timing of new projects, unfavorably change due to economic or political conditions, there would be a material adverse effect on our business, financial condition and operating results. Other potential risks inherent in our international business include:

- longer payment cycles;
- greater difficulties in accounts receivable collection;
- unexpected changes in regulatory requirements;
- export restrictions, tariffs and other trade barriers;
- difficulties in staffing and managing foreign operations;
- political instability;
- reduced protection for intellectual property rights in some countries;
- seasonal reductions in business activity during the summer months in Europe and certain other parts of the world;
- economic instability in emerging markets; and
- potentially adverse tax consequences.

Any one or more of these factors could have a material adverse effect on our international operations, and, consequently, on our business, financial condition and operating results.

Fluctuations in foreign currency exchange rates could have an adverse impact on our financial condition and results of operations. Changes in the value of these foreign currencies relative to the U.S. dollar may adversely affect our results of operations and financial position. We seek to reduce our exposure to fluctuations in foreign currency exchange rates by entering into foreign exchange option and forward contracts to hedge economically certain transactions of selected foreign currencies (mainly in Europe, Brazil, South Africa and the Asia Pacific region). Our currency hedging transactions may not be effective in reducing any adverse impact of fluctuations in foreign currency exchange rates. Further, the imposition of exchange or price controls or other restrictions on the conversion of foreign currencies could have a material adverse effect on our business.

Technology and customer requirements evolve rapidly in our industry, and if we do not continue to develop new products and enhance our existing products in response to these changes, our business could be harmed. Ongoing enhancements to our product sets will be required to enable us to maintain our competitive position. We may not be successful in developing and marketing enhancements to our products on a timely basis, and any enhancements we develop may not adequately address the changing needs of the marketplace. Overlaying the risks associated with our existing products and enhancements are ongoing technological developments and rapid changes in customer requirements. Our future success will depend upon our ability to develop and introduce in a timely manner new products that take advantage of technological advances and respond to new customer requirements. The development of new products is increasingly complex and uncertain, which increases the risk of delays. We may not be successful in developing new products incorporating new technology on a timely basis, and any new

products may not adequately address the changing needs of the marketplace. Failure to develop new products and product enhancements that meet market needs in a timely manner could have a material adverse effect on our business, financial condition and operating results.

We are substantially dependent on our Progress OpenEdge product line. We derive a significant portion of our revenue from software license and maintenance revenue attributable to our Progress OpenEdge product line, and other products that complement OpenEdge and are generally licensed only in conjunction with OpenEdge. Accordingly, our future results depend on continued market acceptance of OpenEdge, and any factor adversely affecting the market for OpenEdge could have a material adverse effect on our business, financial condition and operating results.

We face various risks in connection with our acquisition of Savvion, Inc. On January 8, 2010, we acquired Savvion. We face various risks in connection with our acquisition of Savvion, including the effects of disruption from the transaction making it more difficult to maintain relationships with employees, licensees, other business partners or governmental entities, other business effects, including the effects of industry, economic or political conditions outside of our or Savvion's control, transaction costs, actual or contingent liabilities, diversion of management, uncertainties as to whether anticipated synergies will be realized and uncertainties as to whether Savvion's business will be successfully integrated with our business. Any one or more of these factors could have a material adverse effect on the combined business, our results of operations and our financial condition.

We expect to make additional acquisitions or investments in new businesses, products or technologies that involve additional risks, which could disrupt our business or harm our financial condition or results of operations. As part of our business strategy, we have made, and expect to continue to make, acquisitions of businesses or investments in companies that offer complementary products, services and technologies. If we are unable to identify and complete such acquisitions, we may not achieve our revenue or earnings targets. Any acquisitions we do complete involve a number of risks, including the risks of assimilating the operations and personnel of acquired companies, realizing the value of the acquired assets relative to the price paid, distraction of management from our ongoing businesses and potential product disruptions associated with the sale of the acquired company's products. These factors could have a material adverse effect on our business, financial condition and operating results. The consideration we pay for any future acquisitions could include our stock. As a result, future acquisitions could cause dilution to existing shareholders and to earnings per share.

If our products contain software defects or security flaws, it could harm our revenues and expose us to litigation. Our products are complex to develop and, despite extensive testing and quality control, may contain defects or security flaws, especially when we first introduce them or when new versions are released. We may need to issue corrective releases of our software products to fix any defects or errors. The detection and correction of any security flaws can be time consuming and costly. Errors in our software products could affect the ability of our products to work with other hardware or software products, could delay the development or release of new products or new versions of products and could adversely affect market acceptance of our products and could expose us to potential litigation. If we experience errors or delays in releasing new products or new versions of products, such errors or delays could have a material adverse effect on our revenue.

We recognize a substantial portion of our revenue from sales made through third parties, including our application partners and OEMs, and adverse developments in the businesses of these third parties or in our relationships with them could harm our revenues and results of operations. Our future results depend upon our continued successful distribution of our products through our application partner and OEM channels. Application partners utilize our technology to create their applications and resell our products along with their own applications. OEMs embed our products within their software products or technology devices. The activities of these third parties are not within our direct control. Our failure to manage our relationships with these third parties effectively could impair the success of our sales, marketing and support activities. A reduction in the sales efforts, technical capabilities or financial viability of these parties, a misalignment of interest between us and them, or a termination of our relationship with a major application partner or OEM could have a negative effect on our sales and financial results. Any adverse effect on the application partners' or OEMs' businesses related to competition, pricing and other factors could also have a material adverse effect on our business, financial condition and operating results.

The segments of the software industry in which we participate are intensely competitive, and our inability to compete effectively would harm our business. We experience significant competition from a variety of sources with respect to the marketing and distribution of our products. Many of our competitors have greater financial, marketing or technical resources than we do and may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than we can. Increased competition could make it more difficult for us to maintain our market presence or lead to downward pricing pressure. This is particularly the case with respect to our Sonic and Apama product lines.

In addition, the marketplace for new products is intensely competitive and characterized by low barriers to entry. For example, an increase in market acceptance of open source software may cause downward pricing pressures. As a result, new competitors possessing technological, marketing or other competitive advantages may emerge and rapidly acquire market share. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, thereby increasing their ability to deliver products that better address the needs of our prospective customers. Current and potential competitors also may be more successful than we are in having their products or technologies widely accepted. We may be unable to compete successfully against current and future competitors, and our failure to do so could have a material adverse effect on our business, prospects, financial condition and operating results.

We rely on the experience and expertise of our skilled employees, and must continue to attract and retain qualified technical, marketing and managerial personnel in order to succeed. Our future success will depend in a large part upon our ability to attract and retain highly skilled technical, managerial and marketing personnel. There is significant competition for such personnel in the software industry. We may not continue to be successful in attracting and retaining the personnel we require to develop new and enhanced products and to continue to grow and operate profitably.

We have recently restructured our operations, which may not succeed in increasing revenues and operating results. In December 2009, we announced a series of initiatives to better position us for long-term growth and improved profitability. To execute these initiatives, we announced that we are restructuring our sales, development and marketing organizations as well as other functions to better optimize operations and to improve productivity and efficiency. As a result, during the first quarter of fiscal 2010, we will reduce our global workforce by approximately 230 to 260 positions, representing approximately 13 to 14 percent of our global workforce. This workforce reduction is from substantially all functional units and across all geographies in which we operate. Our ability to significantly reduce our current cost structure in any material respects through future restructurings may be difficult without fundamentally changing elements of our current business. If we are unable to generate increased revenues or control our operating expenses going forward, our results of operations will be adversely affected. Further, we could experience delays, business disruptions or unanticipated employee turnover in connection with the restructuring and other efficiency improvement activities, and there can be no assurance that the expected benefits of the restructuring will be realized.

Our success is dependent upon our proprietary software technology, and our inability to protect it would harm our business. We rely principally on a combination of contract provisions and copyright, trademark, patent and trade secret laws to protect our proprietary technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult. The steps we take to protect our proprietary rights may be inadequate to prevent misappropriation of our technology; moreover, others could independently develop similar technology.

We could be subject to claims that we infringe intellectual property rights of others, or incur substantial cost in protecting our own technology, either of which could harm our business, financial condition or results of operations. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement. Third parties could assert infringement claims in the future with respect to our products and technology, and such claims might be successful. Such litigation could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. Such litigation could also lead to our being prohibited from selling one or more of our products, cause reluctance by potential customers to purchase our products, or result in liability to our customers and could have a material adverse effect on our business, financial condition and operating results.

The loss of technology licensed from third parties could adversely affect our ability to deliver our products. We utilize certain technology that we license from third parties, including software that is integrated with internally developed software and used in our products to perform key functions. This technology, or functionally similar technology, may not continue to be available on commercially reasonable terms in the future, or at all. The loss of any significant third-party technology license could cause delays in our ability to deliver our products or services until equivalent technology is developed internally or equivalent third-party technology, if available, is identified, licensed and integrated.

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Our common stock price may continue to be volatile, which could result in losses for investors. The market price of our common stock, like that of other technology companies, is highly volatile and is subject to wide fluctuations in response to quarterly variations in operating results, announcements of technological innovations or new products by us or our competitors, changes in financial estimates by securities analysts or other events or factors. Our stock price may also be affected by broader market trends unrelated to our performance. As a result, purchasers of our common stock may be unable at any given time to sell their shares at or above the price they paid for them.

Item 1B. Unresolved Staff Comments

As of the date of this report, we do not have any open comments or communications from the SEC related to our financial statements or periodic filings with the SEC.

Item 2. Properties

We own our principal administrative, sales, support, marketing, product development and distribution facilities, which are located in three buildings totaling approximately 258,000 square feet in Bedford, Massachusetts. In connection with the purchase of one of these buildings, we were required to assume the existing mortgage, which has a remaining principal balance of \$1.0 million as of November 30, 2009. In addition, we maintain offices in leased facilities in approximately 24 other locations in North America and approximately 35 locations outside North America. The terms of our leases generally range from one to six years. We believe that our facilities are adequate for our current needs and that suitable additional space will be available as needed.

Item 3. Legal Proceedings

We are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on our consolidated financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

We did not submit any matter to a vote of our shareholders during the fourth quarter of fiscal 2009.

PART II

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

The following table sets forth, for the periods indicated, the range of high and low sale prices for our common stock. Our common stock trades on the NASDAQ Global Select Market under the symbol PRGS.

Year Ended November 30,	2009		2008	
	High	Low	High	Low
First Quarter	\$ 21.28	\$ 15.77	\$ 34.00	\$ 28.02
Second Quarter	23.06	14.69	31.23	27.70
Third Quarter	24.04	20.05	31.19	25.07
Fourth Quarter	25.23	20.87	30.05	17.20

We have not declared or paid cash dividends on our common stock and we do not plan to pay cash dividends to our shareholders in the near future. As of December 31, 2009, our common stock was held by approximately 4,000 shareholders of record or through nominee or street name accounts with brokers.

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Information related to our repurchases of our common stock by month in the fourth quarter of fiscal 2009 is as follows:

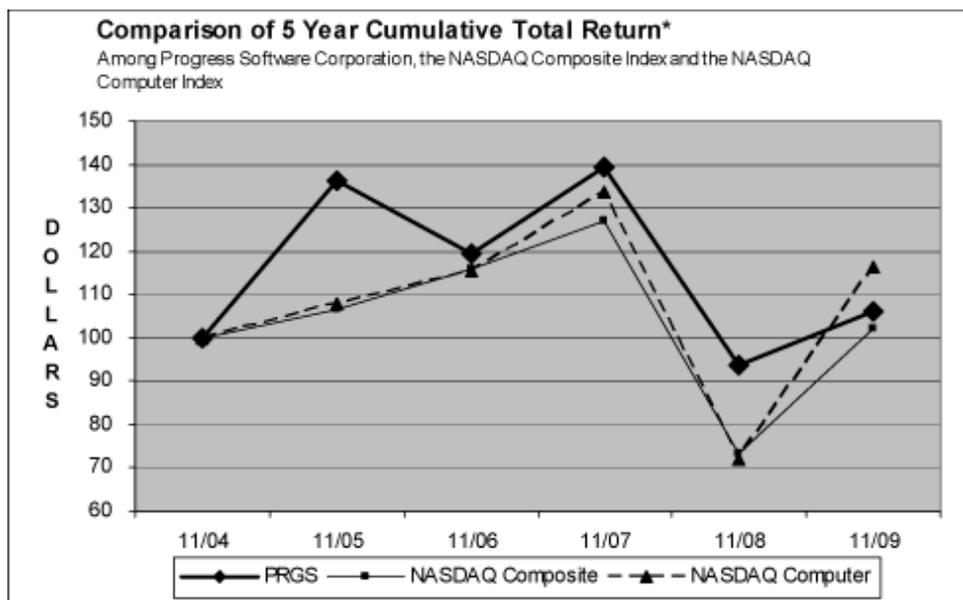
(in thousands, except per share data)

Period:	Total Number Of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
September 2009	—	—	—	9,580
October 2009	3	\$ 21.98	3	997
November 2009	—	—	—	997
Total	3	\$ 21.98	3	997

- (1) In September 2008, the Board of Directors authorized, for the period from October 1, 2008 through September 30, 2009, the purchase of up to 10,000,000 shares of our common stock, of which 420,000 shares were purchased that period. In September 2009, the Board of Directors authorized, for the period from October 1, 2009 through September 30, 2010, the purchase of up to 1,000,000 shares of our common stock, at such times that management deems such purchases to be an effective use of cash.

Stock Performance Graph and Cumulative Total Return

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total return on the NASDAQ Composite Index and the NASDAQ Computer Index for each of the last five fiscal years ended November 30, 2009, assuming an investment of \$100 at the beginning of such period and the reinvestment of any dividends.



* \$100 invested on 11/30/04 in stock or index, including reinvestment of dividends.

November 30,	2004	2005	2006	2007	2008	2009
Progress Software Corporation	100.00	136.30	119.43	139.34	93.74	106.08
NASDAQ Composite	100.00	106.49	115.97	126.91	73.23	102.28
NASDAQ Computer	100.00	107.84	115.42	133.66	71.81	116.26

Item 6. Selected Financial Data

The following tables set forth selected financial data for the last five fiscal years.

(In thousands, except per share data)

Year ended November 30,	2009	2008	2007	2006	2005
Revenue	\$494,137	\$515,560	\$493,500	\$447,063	\$405,376
Income from operations	51,132	64,383	57,216	40,943	59,950
Net income	32,755	46,296	42,280	29,401	46,257
Basic earnings per share	0.82	1.13	1.02	0.72	1.21
Diluted earnings per share	0.80	1.08	0.96	0.68	1.12
Cash and short-term investments	224,121	118,529	339,525	241,315	266,420
Total assets	798,850	752,370	761,828	670,239	561,715
Long-term debt, including current portion	1,022	1,352	1,657	1,938	2,200
Shareholders' equity	555,452	481,452	517,874	444,564	374,004

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

Overview

We are a global enterprise software company that enables organizations to achieve higher levels of business performance by improving their operational responsiveness. Operational responsiveness is the ability of business processes and systems to respond to changing business conditions and customer interactions as they occur. We offer a portfolio of best-in-class, real-time business solutions providing visibility into business systems and processes, event processing to respond to business events that could affect performance, and business process management enabling businesses to continually improve business processes with no disruption to their business. We also provide enterprise data solutions (data access and integration) and application development platforms (for application development and management, and SaaS enablement). We maximize the benefits of operational responsiveness while minimizing information technology (IT) complexity and total cost of ownership.

We derive a significant portion of our revenue from international operations. These operations are primarily conducted in foreign currencies. As a result, changes in the value of these foreign currencies relative to the U.S. dollar significantly impact our results of operations. In the first three quarters of fiscal 2008, the weakening of the U.S. dollar against most major currencies, primarily the euro and the British pound, positively affected the translation of our results into U.S. dollars. In the last quarter of fiscal 2008 and the first three quarters of fiscal 2009, the strengthening of the U.S. dollar against most major currencies negatively affected the translation of our results into U.S. dollars. In the fourth quarter of fiscal 2009, the weakening of the U.S. dollar against most major currencies positively affected the translation of our results into U.S. dollars.

The most significant challenge we faced in 2009 was the adverse global economic environment. In addition to the impact of changes in the value of currencies described above, the adverse global economic environment during 2009 also resulted in reductions in sales of our major products and professional services engagements.

In fiscal 2009 we were organized in three reportable segments: (1) OpenEdge, which includes the OpenEdge products; (2) Enterprise Infrastructure, which includes the Apama, Sonic, Actional, Orbix and FUSE products; and (3) Data Infrastructure, which includes the DataDirect Connect, DataDirect Shadow, Progress DataXtend and ObjectStore products. Our product lines are synonymous with our reportable segments or business units.

In the fourth quarter of fiscal 2009, we reorganized into three business units, which meet the criteria for segment reporting, for fiscal 2010: Application Development Platforms, Enterprise Business Solutions and Enterprise Data Solutions. See Item 1 in this Form 10-K for further description of our business units.

We did not make any acquisitions in fiscal 2009. In fiscal 2008, we completed the acquisitions of Xcalia SA (Xcalia) in February 2008, Mindreef, Inc. (Mindreef) in June 2008 and IONA in September 2008. Xcalia became part of our Data Infrastructure reportable segment and Mindreef and IONA became part of our Enterprise Infrastructure reportable segment. These acquisitions were designed to expand the size and breadth of our business and/or add complementary products and technologies to existing products. We did not make any acquisitions in fiscal 2007.

On January 8, 2010, we acquired Savvion, Inc., a privately held business enterprise software company based in Santa Clara, California, for approximately \$49 million, net of cash acquired. Savvion is a provider of business process management software. The Savvion products will become part of our Enterprise Business Solutions segment. We expect to continue to

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pursue additional acquisitions during the remainder of fiscal 2010. Our acquisition strategy has been to expand our business and/or add complimentary products and technologies to our existing product sets.

We believe that existing cash balances together with funds generated from operations will be sufficient to finance our operations and meet our foreseeable cash requirements (including planned capital expenditures, lease commitments, debt payments and other long-term obligations) through at least the next twelve months. To the extent that we complete any future acquisitions, our cash position could be reduced.

We see the most significant risks for fiscal 2010 continuing to be the macroeconomic climate, which could cause our customers to delay, forego or reduce the amount of their investments in our products or delay payments of amounts due to us, and integration risk associated with our just completed acquisition of Savvion.

Results of Operations

The following table sets forth certain income and expense items as a percentage of total revenue, and the percentage change in dollar amounts of such items compared with the corresponding period in the previous fiscal year.

Year Ended November 30,	Percentage of Total Revenue			Percentage Change	
	2009	2008	2007	2009 Compared to 2008	2008 Compared to 2007
Revenue:					
Software licenses	36%	37%	38%	(9)%	3%
Maintenance and services	64	63	62	(1)	6
Total revenue	100	100	100	(4)	4
Costs of revenue:					
Cost of software licenses	2	2	2	(18)	18
Cost of maintenance and services	13	13	14	(5)	1
Amortization of acquired intangibles for purchased technology	4	3	2	49	29
Total costs of revenue	19	18	18	1	6
Gross profit	81	82	82	(5)	4
Operating expenses:					
Sales and marketing	37	38	39	(7)	2
Product development	19	17	16	6	9
General and administrative	12	12	12	(4)	(1)
Amortization of other acquired intangibles	2	1	1	41	(12)
Restructuring expenses	1	2	—	(25)	*
Impairment of goodwill	—	—	2	*	*
Acquisition-related expenses	—	—	—	*	*
Total operating expenses	71	70	70	(3)	3
Income from operations	10	12	12	(21)	13
Other income (expense), net	0	2	1	(100)	23
Income before provision for income taxes	10	14	13	(31)	14
Provision for income taxes	3	5	4	(34)	22
Net income	7%	9%	9%	(29)%	9%

* not meaningful

Fiscal 2009 Compared to Fiscal 2008

Revenue. Our total revenue decreased 4% from \$515.6 million in fiscal 2008 to \$494.1 million in fiscal 2009. Total revenue would have increased by 1% if exchange rates had been constant in fiscal 2009 as compared to exchange rates in effect in fiscal 2008. Excluding the impact of changes in exchange rates, our revenue increased principally due to revenue derived from the products acquired as part of the acquisition of IONA, which are included in the Enterprise Infrastructure product line, partially offset by a decrease in the number of software licenses sold from our major products and professional services engagements as a result of the challenging global economic conditions in fiscal 2009. Revenue for the Enterprise Infrastructure product line included approximately \$57 million for all of fiscal 2009 versus approximately \$16 million for part of fiscal 2008 for products acquired as part of the acquisition of IONA. Changes in prices in fiscal 2009 from fiscal 2008 did not have a significant impact

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on our revenue. On a product line basis, our revenue declined in the OpenEdge and Data Infrastructure product lines, partially offset by an increase in our Enterprise Infrastructure product line.

Revenue from the OpenEdge product line decreased 17% from \$331.4 million in fiscal 2008 to \$275.9 million in fiscal 2009. Revenue from the Enterprise Infrastructure product line increased 50% from \$85.4 million in fiscal 2008 to \$128.2 million in fiscal 2009 as a result of the impact of the acquisition of IONA as described above. Revenue from the Data Infrastructure product line decreased 9% from \$101.4 million in fiscal 2008 to \$92.7 million in fiscal 2009. For an understanding of how our internal measure of product line revenue is determined see Note 12 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

Software license revenue decreased 9% from \$192.2 million in fiscal 2008 to \$175.6 million in fiscal 2009. Software license revenue would have decreased by 4% if exchange rates had been constant in fiscal 2009 as compared to exchange rates in effect in fiscal 2008. Excluding the impact of changes in exchange rates, the decrease in software license revenue was due to a decrease in sales within our OpenEdge and Data Infrastructure product lines, partially offset by an increase in our Enterprise Infrastructure product line. The Data Infrastructure and Enterprise Infrastructure product lines accounted for 46% of software license revenue in fiscal 2009 as compared to 43% in fiscal 2008. Software license revenue from both direct end users and indirect channels, primarily OpenEdge application partners, decreased in fiscal 2009 as compared to fiscal 2008.

Maintenance and services revenue decreased 1% from \$323.3 million in fiscal 2008 to \$318.6 million in fiscal 2009. Maintenance and services revenue would have increased by 4% if exchange rates had been constant in fiscal 2009 as compared to exchange rates in effect in fiscal 2008. Excluding the impact of changes in exchange rates, the increase in maintenance and services revenue was primarily the result of an increase in our installed customer base, primarily from the acquisition of IONA, and renewal of maintenance contracts, partially offset by a 22% decrease in professional services revenue.

Total revenue generated in markets outside North America decreased 9% from \$299.0 million in fiscal 2008 to \$272.9 million in fiscal 2009 and represented 57% of total revenue in fiscal 2008 as compared to 55% in fiscal 2009. Total revenue generated in North America increased 2% from \$216.6 million in fiscal 2008 to \$221.2 million in fiscal 2009. Revenue from EMEA and Asia Pacific decreased by 11% and 3%, respectively, in fiscal 2009 as compared to fiscal 2008. This decline in revenue generated outside of North America was partially offset by a 3% increase in revenue from Latin America. The decrease in the percentage of business derived from international operations in fiscal 2009 is primarily the result of the negative impact of foreign exchange rates in fiscal 2009, partially offset by the success of our newer product lines. Total revenue generated in markets outside North America would have represented the same percentage of total revenue if exchange rates had been constant in fiscal 2009 as compared to the exchange rates in effect in fiscal 2008.

Cost of Software Licenses. Cost of software licenses consists primarily of costs of royalties, electronic software distribution costs, duplication and packaging. Cost of software licenses decreased 18% from \$9.5 million in fiscal 2008 to \$7.8 million in fiscal 2009, and decreased as a percentage of software license revenue from 5% to 4%. The dollar decrease was primarily due to lower royalty expense for products and technologies licensed or resold from third parties. Cost of software licenses as a percentage of software license revenue may vary from period to period depending upon the relative product mix.

Cost of Maintenance and Services. Cost of maintenance and services consists primarily of costs of providing customer support, education and consulting. Cost of maintenance and services decreased 5% from \$69.3 million in fiscal 2008 to \$66.0 million in fiscal 2009, and remained the same as a percentage of maintenance and services revenue at 21%. The dollar decrease in cost of maintenance and services was due to lower headcount costs and lower usage of third-party contractors for service engagements. Our customer support, education and consulting headcount decreased by 9% from the end of fiscal 2008 to the end of fiscal 2009.

Amortization of Acquired Intangibles for Purchased Technology . Amortization of acquired intangibles for purchased technology primarily represents the amortization of the value assigned to intangible assets for technology obtained in business combinations. Amortization of acquired intangibles for purchased technology increased 49% from \$13.0 million in fiscal 2008 to \$19.5 million in fiscal 2009. The increase was due to amortization expense associated with the acquisitions of Mindreef and IONA, which occurred in the second half of fiscal 2008.

Gross Profit . Our gross profit decreased 5% from \$423.7 million in fiscal 2008 to \$400.9 million in fiscal 2009. The gross profit percentage of total revenue decreased from 82% in fiscal 2008 to 81% in fiscal 2009. The decrease in our gross profit percentage was due to the increase in amortization expense of acquired intangibles for purchased technology as described above.

Sales and Marketing. Sales and marketing expenses decreased 7% from \$195.9 million in fiscal 2008 to \$182.2 million in fiscal 2009, and decreased as a percentage of revenue from 38% to 37%. The decrease in sales and marketing expenses was due to changes in foreign exchange rates and lower headcount costs resulting from the restructuring activities that occurred in the

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fourth quarter of fiscal 2008 and in the first quarter of fiscal 2009. Our sales support and marketing headcount decreased by 8% from the end of fiscal 2008 to the end of fiscal 2009.

Product Development. Product development expenses increased 6% from \$87.8 million in fiscal 2008 to \$93.3 million in fiscal 2009, and increased as a percentage of revenue from 17% to 19%. The dollar increase was primarily due to headcount-related expenses for the development teams from the Mindreef and IONA transactions, which occurred in the second half of fiscal 2008. There were no capitalized software development costs in either fiscal 2008 or fiscal 2009, due to the timing and stage of development of projects that might otherwise qualify for capitalization under our software capitalization policy. Our product development headcount increased 3% from the end of fiscal 2008 to the end of fiscal 2009.

General and Administrative. General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses decreased 4% from \$62.1 million in fiscal 2008 to \$59.6 million in fiscal 2009, and remained the same as a percentage of revenue at 12%. General and administrative expenses in fiscal 2008 include \$3.0 million of professional services fees related to the investigation of our historical stock option grant practices and shareholder derivative lawsuits, which were resolved during fiscal 2009. In addition, the dollar decrease in fiscal 2009 compared to fiscal 2008 was due to lower headcount related expenses, partially offset by higher stock-based compensation related to the separation agreement we entered into with Joseph W. Alsop, our former chief executive officer. Our administrative headcount decreased by 13% from the end of fiscal 2008 to the end of fiscal 2009.

Amortization of Other Acquired Intangibles. Amortization of other acquired intangibles primarily represents the amortization of value assigned to intangible assets obtained in business combinations other than assets identified as purchased technology. Amortization of other acquired intangibles increased 41% from \$6.4 million in fiscal 2008 to \$9.0 million in fiscal 2009. The increase in fiscal 2009 compared to fiscal 2008 was related to amortization expense associated with the acquisitions of Mindreef and IONA, which occurred in the second half of fiscal 2008.

Restructuring Expenses. During the fourth quarter of fiscal 2008, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes and our recent acquisitions. The total costs associated with the restructuring in fiscal 2008 was \$6.9 million, primarily related to employee severance, termination costs of automobile leases for terminated employees and excess facilities costs for unused space.

During the first quarter of fiscal 2009, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes and our recent acquisitions. The total costs associated with the restructuring was \$5.2 million in fiscal 2009, primarily related to employee severance and, to a lesser extent, termination costs of automobile leases for terminated employees and excess facilities costs for unused space.

Income from Operations. Income from operations decreased 21% from \$64.4 million in fiscal 2008 to \$51.1 million in fiscal 2009 and decreased as a percentage of total revenue from 12% to 10%. The decrease in fiscal 2009 as compared to fiscal 2008 was driven by the decrease in gross profit of 5% and additional expenses incurred as a result of our recent acquisitions. Our total headcount decreased 5% from the end of fiscal 2008 to the end of fiscal 2009.

Other Income. Other income decreased 100% from \$9.6 million in fiscal 2008 to \$0.1 million in fiscal 2009. The decrease was primarily due to a decrease in interest income resulting from lower interest rates and lower average cash and short-term investment balances, and higher foreign exchange losses.

Provision for Income Taxes. Our effective tax rate decreased from 37.5% in fiscal 2008 to 36.0% in fiscal 2009. The decrease in the effective tax rate in fiscal 2009 as compared to fiscal 2008 was primarily due to the distribution of income in non-U.S. jurisdictions with lower effective tax rates. See Note 10 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K for further information.

Fiscal 2008 Compared to Fiscal 2007

Revenue. Our total revenue increased 4% from \$493.5 million in fiscal 2007 to \$515.6 million in fiscal 2008. Total revenue would have increased by 2% if exchange rates had been constant in fiscal 2008 as compared to exchange rates in effect in fiscal 2007. Our revenue increased principally due to an increase in the number of software licenses sold and maintenance sales from our major products. Changes in prices in fiscal 2008 from fiscal 2007 did not have a significant impact on our revenue. On a product line basis, our revenue increased due to growth in the Enterprise Infrastructure and DataDirect product lines, partially offset by a decline in the OpenEdge product line. These product lines represented our business unit structure in fiscal 2008.

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Revenue from the OpenEdge product line decreased 2% from \$336.6 million in fiscal 2007 to \$331.4 million in fiscal 2008. Revenue from the Enterprise Infrastructure product line increased 28% from \$83.0 million in fiscal 2007 to \$109.3 million in fiscal 2008. The Enterprise Infrastructure product line included the revenue from the products acquired as part of the acquisition of IONA (with such amount totaling approximately \$16 million in fiscal 2008). Revenue from the DataDirect product line increased 5% from \$73.9 million in fiscal 2007 to \$77.5 million in fiscal 2008. For an understanding of how our internal measure of product line revenue is determined see Note 12 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

Software license revenue increased 3% from \$187.1 million in fiscal 2007 to \$192.2 million in fiscal 2008. Software license revenue would have increased by 1% if exchange rates had been constant in fiscal 2008 as compared to exchange rates in effect in fiscal 2007. The increase in software license revenue in fiscal 2008, excluding the impact of changes in exchange rates, was primarily due to increases from the DataDirect product line and the Enterprise Infrastructure product line (including the impact of the software license revenue from the product lines acquired as part of the acquisition of IONA from the acquisition date), partially offset by a decline in the OpenEdge product line. The DataDirect and Enterprise Infrastructure product lines accounted for 49% of software license revenue in fiscal 2008 as compared to 45% in fiscal 2007. Software license revenue from sales to direct end-users increased in fiscal 2008 as compared to fiscal 2007, partially offset by a slight decline in sales from indirect channels, including application partners and OEMs.

Maintenance and services revenue increased 6% from \$306.4 million in fiscal 2007 to \$323.3 million in fiscal 2008. Maintenance and services revenue would have increased by 4% if exchange rates had been constant in fiscal 2008 as compared to exchange rates in effect in fiscal 2007. The increase in maintenance and services revenue, excluding the impact of changes in exchange rates, was primarily the result of growth in our installed customer base, renewal of maintenance agreements, partially offset by a 6% decrease in professional services revenue.

Total revenue generated in markets outside North America increased 6% from \$281.7 million in fiscal 2007 to \$299.0 million in fiscal 2008 and represented 57% of total revenue in both fiscal 2007 and fiscal 2008. Total revenue generated in North America increased 2% from \$211.8 million in fiscal 2008 to \$216.6 million in fiscal 2009. Revenue from the three major regions outside of North America, consisting of EMEA, Latin America and Asia Pacific, each increased in fiscal 2008 as compared to fiscal 2007. Total revenue generated in markets outside North America would have represented 55% of total revenue if exchange rates had been constant in fiscal 2008 as compared to the exchange rates in effect in fiscal 2007. The increase in the percentage of business derived from international operations in fiscal 2008 is primarily the result of the positive impact of foreign exchange rates in fiscal 2008 and the success of our newer product lines.

Cost of Software Licenses. Cost of software licenses increased 18% from \$8.1 million in fiscal 2007 to \$9.5 million in fiscal 2008, and increased as a percentage of software license revenue from 4% to 5%. The dollar increase was primarily due to higher royalty expense associated with higher sales of third-party products. Cost of software licenses as a percentage of software license revenue may vary from period to period depending upon the relative product mix.

Cost of Maintenance and Services. Cost of maintenance and services increased 1% from \$68.6 million in fiscal 2007 to \$69.3 million in fiscal 2008, but decreased as a percentage of maintenance and services revenue from 22% to 21%. The decrease in cost of maintenance and services as a percentage of maintenance and services revenue was due to a decrease in professional services revenue, which has a lower margin than maintenance revenue. The dollar increase in cost of maintenance and services was due to higher headcount-related expenses, partially offset by lower usage of third-party contractors. Our customer support, education and consulting headcount increased by 21% from the end of fiscal 2007 to the end of fiscal 2008.

Amortization of Acquired Intangibles for Purchased Technology . Amortization of acquired intangibles for purchased technology increased 29% from \$10.1 million in fiscal 2007 to \$13.0 million in fiscal 2008. The increase was due to the additional amortization expense in fiscal 2008 associated with the purchased technology acquired in the Xcalia, Mindreef, and IONA transactions.

Gross Profit . Our gross profit increased 4% from \$406.7 million in fiscal 2007 to \$423.7 million in fiscal 2008. The gross profit percentage remained the same at 82% of total revenue in fiscal 2007 and fiscal 2008 principally due to the matters discussed above.

Sales and Marketing. Sales and marketing expenses increased 2% from \$191.4 million in fiscal 2007 to \$195.9 million in fiscal 2008, but decreased as a percentage of revenue from 39% to 38%. The increase in sales and marketing expenses was primarily due to an increase in headcount associated with the acquisition of IONA. Sales and marketing expenses as a percentage of total revenue decreased in fiscal 2008 as compared to fiscal 2007 due to improved field sales productivity. Our sales support and marketing headcount increased by 8% from the end of fiscal 2007 to the end of fiscal 2008.

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Product Development. Product development expenses increased 9% from \$80.3 million in fiscal 2007 to \$87.8 million in fiscal 2008, and increased as a percentage of revenue from 16% to 17%. The dollar increase was primarily due to headcount-related expenses for the development teams from the Xcalia, Mindreef and IONA transactions, which occurred at various times during fiscal 2008. There were no capitalized software development costs in either fiscal 2007 or fiscal 2008, due to the timing and stage of development of projects that might otherwise qualify for capitalization under our software capitalization policy. Our product development headcount increased 30% from the end of fiscal 2007 to the end of fiscal 2008.

General and Administrative. General and administrative expenses decreased 1% from \$62.3 million in fiscal 2007 to \$62.1 million in fiscal 2008, and remained the same approximate percentage of revenue at 12%. General and administrative expenses in fiscal 2008 also include \$3.0 million of professional services fees related to the investigation of our historical stock option grant practices and derivative lawsuits as compared to \$3.7 million in fiscal 2007. Our administrative headcount increased by 6% from the end of fiscal 2007 to the end of fiscal 2008.

Amortization of Other Acquired Intangibles. Amortization of other acquired intangibles decreased 12% from \$7.3 million in fiscal 2007 to \$6.4 million in fiscal 2008. The decrease in fiscal 2008 compared to fiscal 2007 was related to certain intangibles from prior acquisitions becoming fully amortized, partially offset by amortization expense related to intangible assets acquired in the Xcalia, Mindreef and IONA acquisitions.

Restructuring Expenses. During the fourth quarter of fiscal 2008, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes and our recent acquisitions. The total costs associated with the restructuring was \$6.9 million, primarily related to employee severance, termination costs of automobile leases for terminated employees and excess facilities costs for unused space.

Impairment of Goodwill. In the fourth quarter of fiscal 2007, an interim impairment test was performed as circumstances indicated that an impairment may have occurred in our EasyAsk reporting unit. Based on the interim impairment testing, it was determined that the EasyAsk reporting unit's carrying value exceeded its fair value. As a result, we recorded an impairment loss of approximately \$8.2 million, which was equal to the amount by which the carrying value of goodwill assigned to the EasyAsk reporting unit exceeded its implied fair value. No impairment of goodwill was recorded in any of our other reporting units as the fair values of our other reporting units exceeded their carrying values in fiscal 2007. In fiscal 2008, it was determined that no such impairments of goodwill existed.

Income from Operations. Income from operations increased 13% from \$57.2 million in fiscal 2007 to \$64.4 million in fiscal 2008 and remained the same as a percentage of total revenue at 12%. The increase in income from operations in fiscal 2008 as compared to fiscal 2007 was primarily due to revenue increasing at a faster rate than operating expenses.

Other Income. Other income increased 23% from \$7.8 million in fiscal 2007 to \$9.6 million in fiscal 2008. The increase was related to lower foreign exchange losses and an increase in interest income, primarily resulting from higher average interest rates, primarily from our ARS, and higher average cash and investment balances.

Provision for Income Taxes. Our effective tax rate increased from 35.0% in fiscal 2007 to 37.5% in fiscal 2008. The increase in the effective tax rate in fiscal 2008 as compared to fiscal 2007 was primarily due to lower amounts of tax-exempt interest income and the final phase-out of the extraterritorial income exclusion. See Note 10 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K for further information.

Liquidity and Capital Resources

At the end of fiscal 2009, our cash and short-term investments totaled \$224.1 million. The increase of \$105.6 million since the end of fiscal 2008 was primarily due to cash generated from operations, a reclassification of auction rate securities (ARS) to short-term investments from non-current assets (totaling approximately \$18 million) and the effect of year-over-year period end changes in foreign exchange rates on cash balances. These ARS were acquired as part of the acquisition of IONA. As described below, we have reclassified these securities on the balance sheet from long-term investments to short-term investments because we have the option to sell these securities at par value beginning June 30, 2010. These ARS are classified as trading securities and all changes in the fair value are recognized in current period earnings.

In addition to the \$224.1 million of cash and short-term investments, we had investments with a fair value of \$40.7 million related to ARS that are classified as noncurrent. These ARS are floating rate securities with longer-term maturities that were marketed by financial institutions with auction reset dates at primarily 28 or 35 day intervals to provide short-term liquidity. The remaining contractual maturities of these securities range from 6 to 37 years. The underlying collateral of the ARS consist of municipal bonds, which are insured by monoline insurance companies, and student loans, which are supported by the federal government as part of the Federal Family Education Loan Program (FFELP) and by the monoline insurance companies.

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Beginning in February 2008, auctions for these securities began to fail, and the interest rates for these ARS reset to the maximum rate per the applicable investment offering document. At November 30, 2008, our ARS investments totaled \$72.4 million at par value. During fiscal 2009, noncurrent investments totaling \$7.1 million were redeemed at par by the issuers and \$17.9 million were reclassified as short-term investments, resulting in a net reduction of the par value of our ARS investments classified as long-term to \$47.4 million. These ARS are classified as available-for-sale securities.

For each of the ARS classified as available-for-sale, we evaluated the risks related to the structure, collateral and liquidity of the investment, and forecasted the probability of issuer default, auction failure and a successful auction at par or a redemption at par for each future auction period. The weighted average cash flow for each period was then discounted back to present value for each security. Based on this methodology, we determined that the fair value of our non-current ARS investments is \$40.7 million, and we recorded a mark-to-market adjustment in accumulated other comprehensive income of \$6.7 million to reduce the value of our available-for-sale ARS investments.

With the exception of the ARS acquired as part of the acquisition of IONA, we will not be able to access these remaining funds until a future auction for these ARS is successful, we sell the securities in a secondary market, or they are redeemed by the issuer. As such, these remaining investments currently lack short-term liquidity and are therefore classified as noncurrent on the balance sheet at November 30, 2009. Based on our cash and short-term investments balance and expected operating cash flows, we do not anticipate the lack of liquidity associated with these ARS to adversely affect our ability to conduct business and believe we have the ability to hold the affected securities throughout the estimated recovery period, which we currently estimate to be two to five years. We also believe that based on the current credit rating of the security issuer and the third-party insurer underlying the investments, we will be able to collect contractual interest and principal payments and no loss due to credit exposure exists. Therefore, the impairment on these securities is considered only temporary in nature. If the credit rating of either the security issuer or the third-party insurer underlying the investments deteriorates significantly, we may be required to adjust the carrying value of the ARS through an impairment charge.

In November 2008, we accepted a settlement offer in the form of a rights offering from UBS Financial Services (UBS), the investment firm that brokered the original purchases of the ARS that we hold. The rights offering provides us with a put option to sell these securities at par value to UBS during a period beginning on June 30, 2010. Since the settlement agreement is a legally enforceable firm commitment, the put option is recognized as a financial asset at its fair value of \$1.6 million in our financial statements at November 30, 2009, and is accounted for separately from the associated securities. Changes in the fair value of the put option, based on the difference in value between the par value and the fair value of the associated ARS, are recognized in current period earnings.

We generated cash from operations of \$62.8 million in fiscal year 2009, \$87.2 million in fiscal year 2008, and \$104.0 million in fiscal year 2007. The components of our cash flows from operations for fiscal years 2009, 2008 and 2007 are as follows:

(In thousands)

Year Ended November 30,	2009	2008	2007
Net income	\$ 32,755	\$ 46,296	\$ 42,280
Depreciation, amortization and other noncash charges	61,942	49,432	58,675
Tax benefit (deficiency) from stock plans	(310)	1,123	1,614
Changes in operating assets and liabilities	(31,629)	(9,669)	1,438
Total	\$ 62,758	\$ 87,182	\$ 104,007

The fluctuation in the change in operating assets and liabilities between fiscal 2008 and fiscal 2009 was primarily the result of payments of assumed liabilities acquired as part of the acquisition of IONA and differences in the timing of maintenance renewal billings. The fluctuation in the change in operating assets and liabilities between fiscal 2007 and fiscal 2008 was primarily the result of differences in the timing of maintenance renewal billings. Our gross accounts receivable increased by \$3.8 million from the end of fiscal 2008. Days sales outstanding (DSO) in accounts receivable increased year over year by four days to 65 days at the end of fiscal 2009 as compared to 61 days at the end of fiscal 2008 and 62 days at the end of fiscal 2007. We target a DSO range of 60 to 80 days.

We purchased \$7.4 million of property and equipment in fiscal year 2009, \$8.2 million in fiscal year 2008 and \$18.3 million in fiscal year 2007. The purchases in each fiscal year consisted primarily of computer equipment, software and building and leasehold improvements. We financed these purchases primarily from cash generated from operations.

We purchased and retired 276,000 shares of our common stock for \$5.5 million in fiscal year 2009, 3,912,000 shares for \$111.5 million in fiscal year 2008, and 1,290,000 shares for \$38.0 million in fiscal year 2007. In September 2009, the Board of

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Directors authorized, for the period from October 1, 2009 through September 30, 2010, the purchase of up to 1,000,000 shares of our common stock, at such times that management deems such purchases to be an effective use of cash.

We had no acquisitions in fiscal years 2009 and 2007. In fiscal year 2008, we completed three acquisitions at a total cost of \$140.3 million, net of cash acquired. Each of these acquisitions was accounted for as a purchase, and accordingly, the results of operations of the acquired companies were included in our operating results from the date of acquisition. In each case, the purchase price was paid in cash from available funds. See Note 13 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K for further information.

On January 8, 2010, we acquired Savvion, Inc., a privately-held company, for an aggregate purchase price of approximately \$49 million, net of cash acquired. Savvion is a provider of business process management software. The Savvion product lines will become part of our Enterprise Business Solutions business unit. The acquisition will be accounted for as a purchase, and accordingly, the results of operations of Savvion will be included in our operating results from the date of acquisition. The purchase price was paid in cash from available funds.

We expect to continue to pursue additional acquisitions during the remainder of fiscal 2010. Our acquisition strategy has been to expand our business and/or add complimentary products and technologies to our existing product sets. To the extent that we complete any future acquisitions, our cash position could be reduced.

In December 2009, we announced a series of initiatives to better position us for long-term growth and improved profitability. To execute these initiatives, we announced that we are restructuring our sales, development and marketing organizations as well as other functions to better optimize operations and to improve productivity and efficiency. As a result, during the first quarter of fiscal 2010, we will have reduced our global workforce by approximately 230 to 260 positions, representing approximately 13 to 14 percent of our global workforce. This workforce reduction is from substantially all functional units and across all geographies in which we operate. We are also consolidating offices in various locations, including our offices in Nashua, New Hampshire and Dublin, Ireland during the first quarter of fiscal 2010. As a result of these workforce reductions and office consolidations, we currently expect to incur in the aggregate a pre-tax charge in the range of approximately \$19 million to \$23 million. The estimated aggregate charge consists of approximately \$14 million to \$18 million relating to our global workforce reduction, consisting primarily of severance and post-employment benefits, and approximately \$5 million relating to our office consolidations. We expect to record this charge primarily in the first quarter of fiscal 2010. Substantially all of this charge will result in cash expenditures.

We include standard intellectual property indemnification provisions in our licensing agreements in the ordinary course of business. Pursuant to our product license agreements, we will indemnify, hold harmless, and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally business partners or customers, in connection with certain patent, copyright or other intellectual property infringement claims by third parties with respect to our products. Other agreements with our customers provide indemnification for claims relating to property damage or personal injury resulting from the performance of services by us or our subcontractors. Historically, our costs to defend lawsuits or settle claims relating to such indemnity agreements have been insignificant. Accordingly, the estimated fair value of these indemnification provisions is immaterial.

We believe that existing cash balances together with funds generated from operations will be sufficient to finance our operations and meet our foreseeable cash requirements (including planned capital expenditures, announced acquisitions, lease commitments, restructuring obligations, debt payments and other long-term obligations) through at least the next twelve months.

Revenue Backlog – Our aggregate revenue backlog at November 30, 2009 was approximately \$186 million, of which \$146 million was included on our balance sheet as deferred revenue, primarily related to unexpired maintenance and support contracts. At November 30, 2009, the remaining amount of backlog of approximately \$40 million was composed of multi-year licensing arrangements of approximately \$22 million and open software license orders received but not shipped of approximately \$18 million. Our backlog of orders not included on the balance sheet is not subject to our normal accounting controls for information that is either reported in or derived from our basic financial statements.

Our aggregate revenue backlog at November 30, 2008 was approximately \$176 million, of which \$144 million was included on our balance sheet as deferred revenue, primarily related to unexpired maintenance and support contracts. At November 30, 2008, the remaining amount of backlog of approximately \$32 million was composed of multi-year licensing arrangements of approximately \$22 million and open software license orders received but not shipped of approximately \$10 million.

We typically fulfill most of our software license orders within 30 days of acceptance of a purchase order. Assuming all other revenue recognition criteria have been met, we recognize software license revenue upon shipment of the product, or if delivered electronically, when the customer has the right to access the software. Because there are many elements governing

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when revenue is recognized, including when orders are shipped, credit approval obtained, completion of internal control processes over revenue recognition and other factors, management has some control in determining the period in which certain revenue is recognized. We frequently have open software license orders at the end of the quarter which have not shipped or have otherwise not met all the required criteria for revenue recognition. Although the amount of open software license orders may vary at any time, we generally do not believe that the amount, if any, of such software license orders at the end of a particular quarter is a reliable indicator of future performance. In addition, there is no industry standard for the definition of backlog and there may be an element of estimation in determining the amount. As such, direct comparisons with other companies may be difficult or potentially misleading.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Contractual Obligations

The following table details our contractual obligations as of November 30, 2009:

(In thousands)

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt	\$ 1,022	\$ 358	\$ 664	\$ —	\$ —
Interest payment on long-term debt	117	69	48	—	—
Operating leases	47,631	16,097	22,359	8,640	535
Unrecognized tax benefits (1)	3,281	—	—	—	—
Total	\$ 52,051	\$ 16,524	\$ 23,071	\$ 8,640	\$ 535

- (1) This liability is not subject to fixed payment terms and the amount and timing of payments, if any, which we will make related to this liability are not known. See Note 10 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K for additional information.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. We make estimates and assumptions in the preparation of our consolidated financial statements that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

We have identified the following critical accounting policies that require the use of significant judgments and estimates in the preparation of our consolidated financial statements. This listing is not a comprehensive list of all of our accounting policies. For further information regarding the application of these and other accounting policies, see Note 1 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

Revenue Recognition — Our revenue recognition policy is significant because revenue is a key component affecting results of operations. In determining when to recognize revenue from a customer arrangement, we are often required to exercise judgment regarding the application of our accounting policies to a particular arrangement. For example, judgment is required in determining whether a customer arrangement has multiple elements. When such a situation exists, judgment is also involved in determining whether vendor-specific objective evidence (VSOE) of fair value for the undelivered elements exists. Such judgments can materially impact the amount of revenue that we record in a given period. While we follow specific and detailed rules and guidelines related to revenue recognition, we make and use significant management judgments and estimates in connection with the revenue recognized in any reporting period, particularly in the areas described above, as well as collectability. If management made different estimates or judgments, material differences in the timing of the recognition of revenue could occur.

Allowance for Doubtful Accounts — We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. We establish this allowance using estimates that we make based on factors such as the composition of the accounts receivable aging, historical bad debts, changes in payment patterns, changes to customer creditworthiness and current economic trends. If we used different estimates, or if the financial condition of

customers were to deteriorate, resulting in an impairment of their ability to make payments, we would require additional provisions for doubtful accounts that would increase bad debt expense.

Goodwill and Intangible Assets — We had goodwill and net intangible assets of \$304.9 million at November 30, 2009. We assess the impairment of goodwill on an annual basis and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. We would record an impairment charge if such an assessment were to indicate that the fair value of such assets was less than the carrying value. When we evaluate potential impairments outside of our annual measurement date, judgment is required in determining whether an event has occurred that may impair the value of goodwill or intangible assets. Factors that could indicate that an impairment may exist include significant underperformance relative to plan or long-term projections, significant changes in business strategy, significant negative industry or economic trends or a significant decline in our stock price or in the value of one of our reporting units for a sustained period of time. We utilize either discounted cash flow models or other valuation models, such as comparative transactions and market multiples, to determine the fair value of our reporting units. The determination of reporting units also requires management judgment. We consider whether a reporting unit exists within a reportable segment based on the availability of discrete financial information that is regularly reviewed by segment management. We utilize undiscounted cash flows to determine the fair value of our intangible assets. We must make assumptions about future cash flows, future operating plans, discount rates and other factors in those models. Different assumptions and judgment determinations could yield different conclusions that would result in an impairment charge to income in the period that such change or determination was made.

Income Tax Accounting — We had a net deferred tax asset of \$41.6 million at November 30, 2009. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. We consider scheduled reversals of temporary differences, projected future taxable income, ongoing tax planning strategies and other matters in assessing the need for and the amount of a valuation allowance. If we were to change our assumptions or otherwise determine that we were unable to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period that such change or determination was made.

Management judgment is also required in evaluating whether a tax position taken or expected to be taken in a tax return, based on the weight of available evidence, indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. Management judgment is also required in measuring the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. If management made different estimates or judgments, material differences in the amount accrued for uncertain tax positions would occur.

Stock-Based Compensation — We record stock-based compensation expense based on the fair value of stock-based awards measured at the grant date and recognized over the relevant service period. We estimate the fair value of each stock-based award on the measurement date using either the current market price or the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to stock price volatility, the expected life of options, a risk-free interest rate and dividend yield. Many of these assumptions are highly subjective and require the exercise of management judgment. If management made different estimates or judgments, material differences in the amount of stock-based compensation would occur.

Investments in Debt Securities — We have approximately \$56.9 million at fair value (par value of \$65.2 million) in investments related to auction rate securities (ARS), of which \$40.7 million are classified as noncurrent at November 30, 2009. For each of our ARS, we evaluate the risks related to the structure, collateral and liquidity of the investment, and forecast the probability of issuer default, auction failure and a successful auction at par, or a redemption at par, for each future auction period. Based on the results of this assessment, we record either a mark-to-market adjustment in accumulated other comprehensive income or an other-than-temporary impairment charge in other income in our statement of operations. For ARS acquired as part of the acquisition of IONA and classified as trading securities, we record all changes in fair value in current period earnings. For further information regarding the ARS acquired as part of the acquisition of IONA, see Notes 2 and 3 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K. If we used different assumptions or the credit rating of either the security issuer or the third-party insurer underlying the investments deteriorates, we may be required to adjust the carrying value of our available-for-sale ARS through an other-than-temporary impairment charge in current period earnings.

Restructuring Charges — We periodically record restructuring charges resulting from restructuring our operations (including consolidations and/or relocations of operations), changes to our strategic plan, or managerial responses to declines in demand, increasing costs, or other market factors. The determination of restructuring charges requires management judgment and may include costs related to employee benefits, such as costs of severance and termination benefits, and estimates of costs for future lease commitments on excess facilities, net of estimated future sublease income. In determining the amount of the facilities charge, we are required to estimate such factors as future vacancy rates, the time required to sublet properties and sublease rates. These estimates are reviewed quarterly based on known real estate market conditions and the credit-worthiness of subtenants, and may result in revisions to established facility reserves.

Recent Accounting Pronouncements

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued The FASB Accounting Standards Codification™ (the Codification). The Codification is the official single source of authoritative U.S. generally accepted accounting principles (GAAP). All existing accounting standards are superseded and all other accounting guidance not included in the Codification will be considered non-authoritative. The Codification does not change GAAP. We adopted the Codification in the fourth quarter of fiscal 2009. The impact on our financial statements from the Codification adoption was limited to disclosures, as all references to previous authoritative accounting literature were superseded by the Codification.

Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities

In June 2008, the FASB issued an accounting standard that provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and must be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, a company is required to retrospectively adjust its earnings per share data (including any amounts related to interim periods, summaries of earnings and selected financial data) to conform with the provisions of this standard. As required, we adopted this standard on December 1, 2009, and there was no impact from adoption on our consolidated financial statements.

Determination of the Useful Lives of Intangible Assets

In April 2008, the FASB issued a standard that amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. We adopted this standard on December 1, 2009, and there was no impact from adoption on our consolidated financial statements.

Business Combinations

In December 2007, the FASB issued revised standards on business combinations and accounting and reporting of noncontrolling interests in consolidated financial statements. The revised standards will significantly change the financial accounting and reporting of business combination transactions. The most significant changes from current practice will require Companies to recognize contingent consideration arrangements at their acquisition-date fair values, with subsequent changes in fair value generally reflected in earnings; with certain exceptions, recognize preacquisition loss and gain contingencies at their acquisition-date fair values; capitalize in-process research and development assets; expense acquisition-related transaction costs as incurred; and limit the capitalization of acquisition-related restructuring as of the acquisition date. In addition, changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period will be recognized in earnings rather than as an adjustment to the cost of acquisition. We adopted this standard on December 1, 2009, and believe this standard will have a material effect on the financial accounting for any acquisition completed after December 1, 2009.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of risks, including changes in interest rates affecting the return on our investments and foreign currency fluctuations. We have established policies and procedures to manage our exposure to fluctuations in interest rates and foreign currency exchange rates.

Exposure to market rate risk for changes in interest rates relates to our investment portfolio. We have not used derivative financial instruments in our investment portfolio. We place our investments with high-quality issuers and have policies limiting, among other things, the amount of credit exposure to any one issuer. We seek to limit default risk by purchasing only investment-grade securities. Our investments have an average remaining maturity of less than two years or interest-rate resets of less than 60 days and are primarily fixed-rate instruments. In addition, we have classified all of our debt securities as available-for-sale, except for certain ARS which are classified as trading. The available-for-sale classification reduces the income statement exposure to interest rate risk if such investments are held until their maturity date because changes in fair value due to market changes in interest rates are recorded on the balance sheet in accumulated other comprehensive income. Based on a hypothetical 10% adverse movement in interest rates, the potential losses in future earnings, fair value of risk-sensitive instruments and cash flows are immaterial. Additionally, see further discussion regarding market risks with our investments in ARS under Liquidity and Capital Resources in Item 7 of this Form 10-K.

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We use derivative instruments to manage exposure to fluctuations in the values of foreign currencies, which exist as part of our on-going business operations. Certain assets and forecasted transactions are exposed to foreign currency risk. Our objective for holding derivatives is to eliminate or reduce the impact of foreign currency risk. We periodically monitor our foreign currency exposures to enhance the overall effectiveness of our foreign currency hedge positions. Principal currencies hedged include the euro, British pound, Brazilian real, Japanese yen, South African rand and Australian dollar. We do not enter into derivative instruments for speculative purposes, nor do we hold or issue any derivative instruments for trading purposes. We enter into certain derivative instruments that may not qualify for hedge accounting. Although the derivatives we have entered into do not qualify for hedge accounting, we believe that such instruments are closely correlated with the underlying exposure, thus managing the associated risk.

We generally use foreign currency option contracts that are not designated as hedging instruments to hedge economically a portion of forecasted international cash flows for up to one year in the future. All foreign currency option contracts are recorded at fair value in other current assets on the balance sheet at the end of each reporting period and expire within one year. In fiscal 2009, losses of (\$1.4) million on foreign currency option contracts, primarily representing premiums paid on expired contracts, were recorded in other income (expense), net in the statement of operations.

We also use forward contracts that are not designated as hedging instruments to hedge economically the impact of the variability in exchange rates on accounts receivable and collections denominated in certain foreign currencies. We generally do not hedge the net assets of our international subsidiaries. All forward contracts are recorded at fair value in other current assets on the balance sheet at the end of each reporting period and expire within 90 days. In fiscal 2009, gains of \$4.2 million from realized net gains and changes in the fair value of our forward contracts were recognized in other income in the statement of operations, primarily offset by unrealized losses on the offsetting positions.

The table below details outstanding foreign currency forward and option contracts at November 30, 2009 where the notional amount is determined using contract exchange rates:

(In thousands)

	Notional Value	Fair Value
Foreign currency forward contracts to sell U.S. dollars	\$ 88,193	\$ (13)
Foreign currency forward contracts to purchase U.S. dollars	8,983	1
Foreign currency option contracts to purchase U.S. dollars	109,777	2,007
Total	\$ 206,953	\$ 1,995

There were no foreign currency option contracts outstanding at November 30, 2008. The table below details outstanding foreign currency forward contracts at November 30, 2008 where the notional amount is determined using contract exchange rates:

(In thousands)

	Notional Value	Fair Value
Foreign currency forward contracts to sell U.S. dollars	\$ 57,968	\$ (46)
Foreign currency forward contracts to purchase U.S. dollars	14,812	(180)
Total	\$ 72,780	\$ (226)

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Progress Software Corporation
Bedford, MA

We have audited the accompanying consolidated balance sheets of Progress Software Corporation and subsidiaries (the “Company”) as of November 30, 2009 and 2008, and the related consolidated statements of income, shareholders’ equity, and cash flows for each of the three years in the period ended November 30, 2009. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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, such consolidated financial statements present fairly, in all material respects, the financial position of Progress Software Corporation and subsidiaries as of November 30, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also 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 November 30, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 29, 2010 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Boston, Massachusetts
January 29, 2010

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Consolidated Financial Statements

Consolidated Balance Sheets

(In thousands, except share data)

November 30,	2009	2008
Assets		
Current assets:		
Cash and equivalents	\$175,873	\$ 96,485
Short-term investments	48,248	22,044
Total cash and short-term investments	224,121	118,529
Accounts receivable (less allowances of \$7,650 in 2009 and \$7,944 in 2008)	98,872	94,795
Other current assets	20,193	18,664
Deferred tax assets	14,433	14,264
Total current assets	357,619	246,252
Property and equipment, net	59,625	63,147
Intangible assets, net	86,389	108,869
Goodwill	218,498	233,385
Deferred tax assets	30,638	29,618
Investments in auction rate securities	40,714	62,364
Other assets	5,367	8,735
Total	\$798,850	\$752,370
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 358	\$ 330
Accounts payable	12,400	11,592
Accrued compensation and related taxes	44,472	46,001
Income taxes payable	4,082	3,926
Other accrued liabilities	24,369	43,750
Short-term deferred revenue	141,243	135,786
Total current liabilities	226,924	241,385
Long-term debt, less current portion	664	1,022
Long-term deferred revenue	4,511	7,957
Deferred tax liabilities	3,445	10,023
Other noncurrent liabilities	7,854	10,531
Commitments and contingencies (note 11)		
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized, 1,000,000 shares; issued, none		
Common stock, \$.01 par value, and additional paid-in capital; authorized, 100,000,000 shares; issued and outstanding, 40,604,031 in 2009 and 39,903,717 in 2008	247,265	216,261
Retained earnings, including accumulated other comprehensive loss of \$(3,385) in 2009 and \$(14,033) in 2008	308,187	265,191
Total shareholders' equity	555,452	481,452
Total	\$798,850	\$752,370

See notes to consolidated financial statements.

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Consolidated Statements of Income

(In thousands, except per share data)

Year Ended November 30,	2009	2008	2007
Revenue:			
Software licenses	\$175,566	\$192,217	\$187,080
Maintenance and services	318,571	323,343	306,420
Total revenue	494,137	515,560	493,500
Costs of revenue:			
Cost of software licenses	7,776	9,536	8,050
Cost of maintenance and services	65,967	69,321	68,614
Amortization of acquired intangibles for purchased technology	19,459	13,032	10,092
Total costs of revenue	93,202	91,889	86,756
Gross profit	400,935	423,671	406,744
Operating expenses:			
Sales and marketing	182,227	195,947	191,436
Product development	93,262	87,788	80,345
General and administrative	59,612	62,084	62,270
Amortization of other acquired intangibles	9,047	6,426	7,303
Restructuring expense	5,215	6,915	—
Impairment of goodwill	—	—	8,174
Acquisition-related expenses	440	128	—
Total operating expenses	349,803	359,288	349,528
Income from operations	51,132	64,383	57,216
Other income (expense):			
Interest income and other	2,702	10,385	9,862
Foreign currency loss	(2,654)	(758)	(2,031)
Total other income, net	48	9,627	7,831
Income before provision for income taxes	51,180	74,010	65,047
Provision for income taxes	18,425	27,714	22,767
Net income	\$ 32,755	\$ 46,296	\$ 42,280
Earnings per share:			
Basic	\$ 0.82	\$ 1.13	\$ 1.02
Diluted	\$ 0.80	\$ 1.08	\$ 0.96
Weighted average shares outstanding:			
Basic	40,103	41,035	41,554
Diluted	41,041	42,677	43,943

See notes to consolidated financial statements.

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Consolidated Statements of Shareholders' Equity

(In thousands)

Year Ended November 30,	2009	2008	2007
Common stock and additional paid-in capital:			
Balance, beginning of year	\$216,261	\$240,647	\$197,748
Exercise of employee stock options	9,054	18,820	36,144
Issuance of stock under the employee stock purchase plan	5,740	6,685	6,248
Repurchase of common stock	(5,058)	(72,057)	(22,329)
Present value of payments for re-pricing of stock options	(42)	—	(2,604)
Stock-based compensation	21,536	19,318	20,878
Tax benefit (deficiency) from stock plans	(226)	2,848	4,562
Balance, end of year	247,265	216,261	240,647
Retained earnings:			
Balance, beginning of year	265,191	277,227	246,816
Net income	32,755	46,296	42,280
Other comprehensive income:			
Unrealized gains (losses) on investments	319	(4,685)	158
Translation adjustments	10,330	(14,181)	3,569
Comprehensive income	43,404	27,430	46,007
Adoption of FIN 48	—	(12)	—
Repurchase of common stock	(408)	(39,454)	(15,596)
Balance, end of year	308,187	265,191	277,227
Total shareholders' equity	\$555,452	\$481,452	\$517,874

See notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

(In thousands)

Year Ended November 30,	2009	2008	2007
Cash flows from operating activities:			
Net income	\$ 32,755	\$ 46,296	\$ 42,280
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	11,900	10,657	9,492
Impairment of certain ERP costs	—	—	2,388
Loss on disposal of property and equipment	—	—	173
Amortization of capitalized software costs	—	—	175
Amortization of intangible assets	28,506	19,457	17,395
Impairment of goodwill	—	—	8,174
Stock-based compensation	21,536	19,318	20,878
Tax benefit (deficiency) from stock plans	(226)	2,848	4,562
Excess tax benefit from stock plans	(84)	(1,725)	(2,948)
Allowances for accounts receivable	—	(205)	968
Deferred income taxes	(367)	(3,956)	(4,127)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	2,281	(3,828)	(8,255)
Other assets	(352)	7,268	973
Accounts payable and accrued expenses	(26,795)	(6,866)	(2,277)
Income taxes payable	3,300	(5,162)	1,350
Deferred revenue	(9,696)	3,080	12,806
Net cash provided by operating activities	62,758	87,182	104,007
Cash flows from investing activities:			
Purchases of investments available-for-sale	(80,612)	(143,499)	(334,296)
Sales and maturities of investments available-for-sale	79,333	354,753	243,516
Purchases of property and equipment	(7,369)	(8,213)	(18,482)
Purchase of technology	—	—	(1,800)
Acquisitions, net of cash acquired and purchase price settlements	—	(140,283)	—
Increase in other noncurrent assets	(531)	(208)	(547)
Net cash provided by (used for) investing activities	(9,179)	62,550	(111,609)
Cash flows from financing activities:			
Issuance of common stock	14,752	25,505	42,499
Repurchase of common stock	(5,466)	(111,511)	(38,031)
Excess tax benefit from stock plans	84	1,725	2,948
Payment of long-term debt	(330)	(305)	(281)
Net cash provided by (used for) financing activities	9,040	(84,586)	7,135
Effect of exchange rate changes on cash	16,769	(22,540)	7,897
Net increase in cash and equivalents	79,388	42,606	7,430
Cash and equivalents, beginning of year	96,485	53,879	46,449
Cash and equivalents, end of year	\$175,873	\$ 96,485	\$ 53,879

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1: Nature of Business and Summary of Significant Accounting Policies

The Company

We are a global supplier of application infrastructure software and services for the development, deployment, integration and management of business applications. We develop, market and distribute our products to business, industry and governments worldwide. We also provide consulting, training and customer support services.

Accounting Principles

We prepare our consolidated financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries (all of which are wholly-owned). We eliminate all intercompany balances and transactions.

Foreign Currency Translation

For foreign operations where the local currency is considered to be the functional currency, we translate assets and liabilities into U.S. dollars at the exchange rate on the balance sheet date. We translate income and expense items at average rates of exchange prevailing during each period. We accumulate translation adjustments in other comprehensive income (loss), a component of shareholders' equity.

For foreign operations where the U.S. dollar is considered to be the functional currency, we translate monetary assets and liabilities into U.S. dollars at the exchange rate on the balance sheet date. We re-measure non-monetary assets and liabilities into U.S. dollars at historical exchange rates. We translate income and expense items at average rates of exchange prevailing during each period. We recognize translation adjustments currently as a component of foreign currency gain or loss in the statement of income.

Revenue Recognition

We recognize software license revenue upon shipment of the product or, if delivered electronically, when the customer has the right to access the software, provided that the license fee is fixed or determinable, persuasive evidence of an arrangement exists and collection is probable. We do not license our software with a right of return and generally do not license our software with conditions of acceptance. If an arrangement does contain conditions of acceptance, we defer recognition of the revenue until the acceptance criteria are met or the period of acceptance has passed. If software licenses are sold on a subscription basis, we recognize the license fee ratably over the subscription period. We generally recognize revenue for products distributed through application partners and distributors when sold through to the end-user.

We generally sell our software licenses with maintenance services and, in some cases, also with consulting services. For the undelivered elements, we determine vendor-specific objective evidence (VSOE) of fair value to be the price charged when the undelivered element is sold separately. We determine VSOE for maintenance sold in connection with a software license based on the amount that will be separately charged for the maintenance renewal period. We determine VSOE for consulting services by reference to the amount charged for similar engagements when a software license sale is not involved.

We generally recognize revenue from software licenses sold together with maintenance and/or consulting services upon shipment using the residual method, provided that the above criteria have been met. If VSOE of fair value for the undelivered elements cannot be established, we defer all revenue from the arrangement until the earlier of the point at which such sufficient VSOE does exist or all elements of the arrangement have been delivered, or if the only undelivered element is maintenance, then we recognize the entire fee ratably. If payment of the software license fees is dependent upon the performance of consulting services or the consulting services are essential to the functionality of the licensed software, then we recognize both the software license and consulting fees using the percentage of completion method.

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We recognize maintenance revenue ratably over the term of the applicable agreement. We generally recognize revenue from services, primarily consulting and customer education, as the related services are performed.

Warranty Costs

We make periodic provisions for expected warranty costs. Historically, warranty costs have been insignificant.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. We establish this allowance using estimates that we make based on factors such as the composition of the accounts receivable aging, historical bad debts, changes in payment patterns, changes to customer creditworthiness and current economic trends.

A summary of activity in the allowances against accounts receivable is as follows:

(In thousands)

Year Ended November 30,	2009	2008	2007
Beginning balance	\$ 7,944	\$ 9,458	\$ 8,549
Charged to (benefit to) costs and expenses	—	(205)	968
Write-offs and other	(1,029)	(406)	(364)
Translation adjustments	735	(903)	305
Ending balance	\$ 7,650	\$ 7,944	\$ 9,458

Cash Equivalents and Investments

Cash equivalents include short-term, highly liquid investments purchased with remaining maturities of three months or less. We classify investments, which consist of auction rate securities, state and municipal obligations, U.S. government securities, certificates of deposit and corporate bonds and notes, as investments available-for-sale which are stated at fair value, except for certain student loan auction rate securities (ARS), which are classified as trading securities. We include aggregate unrealized holding gains and losses as a component of accumulated other comprehensive income in shareholders' equity, except for certain ARS classified as trading, where unrealized gains and losses are recorded in current period earnings.

Supplemental Cash Flow Information

In fiscal years 2009, 2008 and 2007, we paid \$16.5 million, \$29.8 million and \$21.7 million in income taxes, respectively, net of refunds received. In fiscal year 2008, we received refunds from the Internal Revenue Service (IRS) of \$1.8 million related to the filing of original tax returns and amended tax returns from prior years. Refunds in fiscal years 2009 and 2007 were insignificant.

In each of the fiscal years 2009, 2008 and 2007, cash paid for interest on long-term debt totaled \$0.1 million.

Concentration of Credit Risk

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and equivalents, investments and trade receivables. We have cash investment policies which, among other things, limit investments to investment-grade securities. We perform ongoing credit evaluations of our customers, and the risk with respect to trade receivables is further mitigated by the diversity, both by geography and by industry, of the customer base.

Fair Value of Financial Instruments

The carrying amount of our cash and equivalents, accounts receivable and accounts payable approximates fair value due to the short-term nature of these instruments. We base the fair value of short-term investments on current market prices, with the exception of certain ARS classified as trading securities. The fair value of noncurrent investments, as well as certain ARS classified as trading securities in short-term investments, is based on discounted cash flow models (Note 2). The carrying value of the put option related to the ARS rights offering is based on the difference in value between the par value and the fair value of the associated ARS. The carrying value of long-term debt (Note 11) approximates its fair value. We measure and record

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derivative financial instruments at fair value (Note 4). We elect fair value measurement for certain financial assets on a case by case basis.

Derivative Instruments

We record all derivatives, whether designated in hedging relationships or not, on the balance sheet at fair value. We use derivative instruments to manage exposures to fluctuations in the value of foreign currencies, which exist as part of our on-going business operations. Certain assets and forecasted transactions are exposed to foreign currency risk. Our objective for holding derivatives is to eliminate or reduce the impact of these exposures. We periodically monitor our foreign currency exposures to enhance the overall economical effectiveness of our foreign currency hedge positions. Principal currencies hedged include the euro, British pound, Brazilian real, Japanese yen and Australian dollar. We do not enter into derivative instruments for speculative purposes, nor do we hold or issue any derivative instruments for trading purposes.

We enter into certain derivative instruments that do not qualify for hedge accounting and are not designated as hedges. Although these derivatives do not qualify for hedge accounting, we believe that such instruments are closely correlated with the underlying exposure, thus managing the associated risk. The gains or losses from changes in the fair value of such derivative instruments that are not accounted for as hedges are recognized in earnings.

Property and Equipment

We record property and equipment at cost. We record property and equipment purchased in business combinations at fair values which are then treated as the cost. We provide for depreciation and amortization on the straight-line method over the estimated useful lives of the related assets or the remaining initial or current terms of leases, whichever is shorter. Useful lives by major asset class are as follows: computer equipment and software, three to seven years; buildings and improvements, five to thirty-nine years; and furniture and fixtures, five to seven years.

Product Development Costs

We expense product development costs as incurred. We did not capitalize any software development costs in fiscal years 2009, 2008 and 2007. All previously capitalized amounts were fully amortized as of the end of fiscal 2007.

Stock-based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date and recognized over the relevant service period. We estimate the fair value of each stock-based award on the measurement date using either the current market price or the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to stock price volatility, the expected life of options, a risk-free interest rate and dividend yield. We recognize stock-based compensation expense on a straight-line basis over the service period of the award, which is generally five years for options, and three years for restricted stock units and restricted stock awards.

Goodwill, Other Intangible Assets and Long-lived Assets

Goodwill is the amount by which the cost of acquired net assets in a business acquisition exceeded the fair value of net identifiable assets on the date of purchase. We evaluate goodwill or other intangible assets with indefinite useful lives, if any, for impairment annually or on an interim basis when events and circumstances arise that indicate an impairment may have occurred. To conduct these impairment tests of goodwill, we compare the fair value of a reporting unit to its carrying value. If the reporting unit's carrying value exceeds its fair value, we record an impairment loss to the extent that the carrying value of goodwill exceeds its implied fair value. We estimate the fair values of our reporting units using discounted cash flow models or other valuation models, such as comparative transactions and market multiples. During fiscal 2009 and fiscal 2008, we completed our annual testing for impairment of goodwill and, based on those tests, concluded that no impairment of goodwill existed. We perform our annual testing on December 15th of each year. In addition, there were no triggering events that required an interim impairment test in fiscal 2009.

Long-lived assets primarily include property and equipment and intangible assets with finite lives (purchased technology, capitalized software and customer-related intangibles). We periodically review long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. We base each impairment test on a comparison of the undiscounted cash flows to the carrying value of the asset. If impairment is indicated, we write down the asset to its estimated fair value based on a discounted cash flow analysis. In fiscal 2007, we recorded a write-down of long-lived assets associated with a specific third-party provided element of the implementation of a new ERP system of \$2.4 million. The write-down was

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necessitated by the conclusion that it was not advisable to proceed further with the implementation of the third-party application.

Income Taxes

We provide for deferred income taxes resulting from temporary differences between financial and taxable income. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized.

We recognize and measure uncertain tax positions taken or expected to be taken in a tax return utilizing a two-step approach. We first determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is that we measure the tax benefit as the largest amount that is more likely than not to be realized upon ultimate settlement. We recognize interest and penalties related to uncertain tax positions in our provision for income taxes on our consolidated statements of income.

Comprehensive Income

The components of comprehensive income include, in addition to net income, unrealized gains and losses on investments and foreign currency translation adjustments.

Accumulated other comprehensive income (loss) is made up of the following components:

<i>(In thousands)</i>		
November 30,	2009	2008
Cumulative translation adjustment	\$ 870	\$ (9,459)
Accumulated unrealized losses on investments	(4,255)	(4,574)
Total accumulated comprehensive loss	\$ (3,385)	\$ (14,033)

The tax effect on accumulated unrealized losses on investments was \$2.4 million and \$2.7 million at November 30, 2009 and 2008, respectively.

Subsequent Events

We evaluated subsequent events through the date and time our consolidated financial statements were issued on January 29, 2010.

Recent Accounting Pronouncements

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued The FASB Accounting Standards Codification™ (the Codification). The Codification is the official single source of authoritative U.S. generally accepted accounting principles (GAAP). All existing accounting standards are superseded and all other accounting guidance not included in the Codification will be considered non-authoritative. The Codification does not change GAAP. We adopted the Codification in the fourth quarter of fiscal 2009. The impact on our financial statements from the Codification adoption was limited to disclosures, as all references to previous authoritative accounting literature were superseded by the Codification.

Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities

In June 2008, the FASB issued an accounting standard that provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and must be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, a company is required to retrospectively adjust its earnings per share data (including any amounts related to interim periods, summaries of earnings and selected financial data) to conform with the provisions of this standard. As required, we adopted this standard on December 1, 2009, and there was no impact from adoption on our consolidated financial statements.

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Determination of the Useful Lives of Intangible Assets

In April 2008, the FASB issued a standard that amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. We adopted this standard on December 1, 2009, and there was no impact from adoption on our consolidated financial statements.

Business Combinations

In December 2007, the FASB issued revised standards on business combinations and accounting and reporting of noncontrolling interests in consolidated financial statements. The revised standards will significantly change the financial accounting and reporting of business combination transactions. The most significant changes from current practice will require Companies to recognize contingent consideration arrangements at their acquisition-date fair values, with subsequent changes in fair value generally reflected in earnings; with certain exceptions, recognize preacquisition loss and gain contingencies at their acquisition-date fair values; capitalize in-process research and development assets; expense acquisition-related transaction costs as incurred; and limit the capitalization of acquisition-related restructuring as of the acquisition date. In addition, changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period will be recognized in earnings rather than as an adjustment to the cost of acquisition. We adopted this standard on December 1, 2009, and believe this standard will have a material effect on the financial accounting for any significant acquisitions completed after December 1, 2009.

Note 2: Investments

A summary of our investments by major security type at November 30, 2009 is as follows:

(In thousands)

Security Type	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
State and municipal bond obligations	\$ 10,371	\$ 272	\$ (3)	\$ 10,640
US government and agency securities	11,072	—	—	11,072
Auction rate securities – municipal bonds	27,950	—	(4,205)	23,745
Auction rate securities – student loans	19,500	—	(2,531)	16,969
Certificates of deposit	11,653	—	(1)	11,652
Subtotal – available-for-sale securities	80,546	272	(6,740)	74,078
Put option related to ARS rights offering	—	1,596	—	1,596
Auction rate securities – student loans	17,740	—	(1,596)	16,144
Subtotal – trading securities	17,740	1,596	(1,596)	17,740
Total	\$ 98,286	\$ 1,868	\$ (8,336)	\$ 91,818

Such amounts are classified on our balance sheet at November 30, 2009 as follows:

(In thousands)

Security Type	Cash Equivalents	Short-term Investments	Long-term Investments
State and municipal bond obligations	\$ —	\$ 10,640	\$ —
US government and agency securities	2,500	8,572	—
Auction rate securities – municipal bonds	—	—	23,745
Auction rate securities – student loans	—	—	16,969
Certificates of deposit	356	11,296	—
Subtotal – available-for-sale securities	2,856	30,508	40,714
Put option related to ARS rights offering	—	1,596	—
Auction rate securities – student loans	—	16,144	—
Subtotal – trading securities	—	17,740	—
Total	\$ 2,856	\$ 48,248	\$ 40,714

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For each of the ARS classified as available-for-sale, we evaluated the risks related to the structure, collateral and liquidity of the investment, and forecasted the probability of issuer default, auction failure and a successful auction at par or a redemption at par for each future auction period. The weighted average cash flow for each period was then discounted back to present value for each security. Based on this methodology, we determined that the fair value of our non-current ARS investments is \$40.7 million. We recorded a mark-to-market adjustment in accumulated other comprehensive income of \$6.7 million to reduce the value of our available-for-sale ARS investments.

In November 2008, we accepted a settlement offer in the form of a rights offering from UBS Financial Services (UBS), the investment firm that brokered the original purchases of the ARS that we hold as a result of our acquisition of IONA Technologies PLC (IONA). The rights offering provides us with a put option to sell these securities at par value, which was \$17.7 million at November 30, 2009, to UBS during a period beginning on June 30, 2010. Since the settlement agreement is a legally enforceable firm commitment, the put option is recognized as a financial asset at its fair value of \$1.6 million in our financial statements at November 30, 2009, and is accounted for separately from the associated securities. Changes in the fair value of the put option, based on the difference in value between the par value and the fair value of the associated ARS, are recognized in current period earnings.

With the exception of the ARS acquired as part of the acquisition of IONA as described above, we will not be able to access these remaining funds until a future auction for these ARS is successful, we sell the securities in a secondary market, or they are redeemed by the issuer. As such, these remaining investments currently lack short-term liquidity and are therefore classified as noncurrent on the balance sheet at November 30, 2009. Based on our cash and short-term investments balance and expected operating cash flows, we do not anticipate the lack of liquidity associated with these ARS to adversely affect our ability to conduct business and believe we have the ability to hold the affected securities throughout the estimated recovery period, which we currently estimate to be two to five years. We also believe that based on the current credit rating of the security issuer and the third-party insurer underlying the investments, we will be able to collect contractual interest and principal payments and no loss due to credit exposure exists. Therefore, the impairment on these securities is considered only temporary in nature. If the credit rating of either the security issuer or the third-party insurer underlying the investments deteriorates significantly, we may be required to adjust the carrying value of the ARS through an impairment charge.

A summary of our investments by major security type at November 30, 2008 is as follows:

(In thousands)

Security Type	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
State and municipal bond obligations	\$ 16,903	\$ 107	\$ (5)	\$ 17,005
US government and agency securities	2,719	1	—	2,720
Auction rate securities – municipal bonds	33,891	—	(4,420)	29,471
Auction rate securities – student loans	20,804	—	(2,741)	18,063
Corporate bonds and notes	2,001	—	(2)	1,999
Subtotal – available-for-sale securities	76,318	108	(7,168)	69,258
Auction rate securities – student loans	18,000	—	(2,850)	15,150
Subtotal – trading securities	18,000	—	(2,850)	15,150
Total	\$ 94,318	\$ 108	\$(10,018)	\$ 84,408

Such amounts are classified on our balance sheet at November 30, 2008 as follows:

(In thousands)

Security Type	Short-term Investments	Long-term Investments
State and municipal bond obligations	\$ 17,005	\$ —
US government and agency securities	2,720	—
Auction rate securities – municipal bonds	16	29,455
Auction rate securities – student loans	304	17,759
Corporate bonds and notes	1,999	—
Subtotal – available-for-sale securities	22,044	47,214
Auction rate securities – student loans	—	15,150
Subtotal – trading securities	—	15,150
Total	\$ 22,044	\$ 62,364

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The fair value of debt securities at November 30, 2009 and November 30, 2008, by contractual maturity, is as follows:

(In thousands)

November 30,	2009	2008
Due in one year or less (1)	\$ 80,396	\$ 78,168
Due after one year	9,826	6,240
Total	\$ 90,222	\$ 84,408

- (1) Includes ARS which are tendered for interest-rate setting purposes periodically throughout the year. Beginning in February 2008, auctions for these securities began to fail, and therefore these investments currently lack short-term liquidity. The remaining contractual maturities of these securities range from 6 to 37 years. With the exception of the trading ARS acquired as part of the acquisition of IONA which are subject to the UBS rights offering discussed above, we will not be able to access these funds until a future auction for these ARS is successful, we sell the securities in a secondary market, or they are redeemed by the issuer.

Investments with continuous unrealized losses for less than twelve months and twelve months or greater and their related fair values were as follows at November 30, 2009:

(In thousands)

Security Type	Fair Value	Less than 12 months Unrealized Losses	Fair Value	12 months or greater Unrealized Losses	Total Fair Value	Total Unrealized Losses
State and municipal bond obligations	\$ 835	\$ (3)	\$ —	\$ —	\$ 835	\$ (3)
US government and agency securities	—	—	—	—	—	—
Auction rate securities – municipal bonds	—	—	23,748	(4,205)	23,748	(4,205)
Auction rate securities – student loans	—	—	33,161	(4,127)	33,161	(4,127)
Certificates of deposit	109	(1)	—	—	109	(1)
Total	\$ 944	\$ (4)	\$ 56,909	\$ (8,332)	\$ 57,853	\$ (8,336)

Investments with continuous unrealized losses for less than twelve months and twelve months or greater and their related fair values were as follows at November 30, 2008:

(In thousands)

Security Type	Fair Value	Less than 12 months Unrealized Losses	Fair Value	12 months or greater Unrealized Losses	Total Fair Value	Total Unrealized Losses
State and municipal bond obligations	\$ 1,550	\$ (5)	—	—	\$ 1,550	\$ (5)
US government and agency securities	—	—	—	—	—	—
Auction rate securities – municipal bonds	29,471	(4,420)	—	—	29,471	(4,420)
Auction rate securities – student loans	33,213	(5,591)	—	—	33,213	(5,591)
Corporate bonds and notes	1,999	(2)	—	—	1,999	(2)
Total	\$ 66,233	\$(10,018)	—	—	\$ 66,233	\$(10,018)

The unrealized losses associated with state and municipal obligations, certificates of deposit and corporate bonds and notes are attributable to changes in interest rates. The unrealized losses associated with ARS are discussed above. Management does not believe any unrealized losses represent other-than-temporary impairments based on our evaluation of available evidence as of November 30, 2009.

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Note 3: Fair Value Measurements

The following table details the fair value measurements within the fair value hierarchy of our financial assets:

(In thousands)

Description	Nov. 30, 2009	Fair Value Measurements at the Reporting Date Using		
		Quoted Prices in Active Markets Using Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
State and municipal bond obligations	\$10,640	\$ 10,640	\$ —	\$ —
US government and agency securities	11,072	11,072	—	—
Auction rate securities – municipal bonds	23,745	—	—	23,745
Auction rate securities – student loans	33,113	—	—	33,113
Certificates of deposit	11,652	11,652	—	—
Put option related to ARS rights offering	1,596	—	—	1,596
Foreign exchange derivatives	(12)	—	(12)	—
Total	\$91,806	\$ 33,364	\$ (12)	\$ 58,454

The valuation technique used to measure fair value for our Level 1 and Level 2 assets is a market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets. The valuation technique used to measure fair value for our Level 3 assets is an income approach, where the expected weighted average future cash flows were discounted back to present value for each asset, except for the put option related to the ARS rights offering, which is based on the difference in value between the par value and the fair value of the associated ARS.

The following table reflects the activity for our financial assets measured at fair value using Level 3 inputs:

(In thousands)

	Level 3 Financial Assets
Balance, December 1, 2008	\$ 65,214
Redemptions	(7,200)
Unrealized gains included in accumulated other comprehensive income	440
Unrealized gain on ARS trading securities included in other income	1,254
Unrealized loss on put option related to ARS rights offering included in other income	(1,254)
Balance, Nov. 30, 2009	\$ 58,454

Note 4: Derivative Instruments

We generally use foreign currency option contracts that are not designated as hedging instruments to hedge economically a portion of forecasted international cash flows for up to one year in the future. All foreign currency option contracts are recorded at fair value in other current assets on the balance sheet at the end of each reporting period and expire within one year. In fiscal 2009, losses of (\$1.4) million on foreign currency option contracts, primarily representing premiums paid on expired contracts, were recorded in other income (expense), net in the statement of operations.

We also use forward contracts that are not designated as hedging instruments to hedge economically the impact of the variability in exchange rates on accounts receivable and collections denominated in certain foreign currencies. We generally do not hedge the net assets of our international subsidiaries. All forward contracts are recorded at fair value in other current assets on the balance sheet at the end of each reporting period and expire within 90 days. In fiscal 2009, gains of \$4.2 million from realized net gains and changes in the fair value of our forward contracts were recognized in other income in the statement of operations, primarily offset by unrealized losses on the offsetting positions.

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The table below details outstanding foreign currency forward and option contracts at November 30, 2009 where the notional amount is determined using contract exchange rates:

(In thousands)

	Notional Value	Fair Value
Foreign currency forward contracts to sell U.S. dollars	\$ 88,193	\$ (13)
Foreign currency forward contracts to purchase U.S. dollars	8,983	1
Foreign currency option contracts to purchase U.S. dollars	109,777	2,007
Total	\$ 206,953	\$ 1,995

There were no foreign currency option contracts outstanding at November 30, 2008. The table below details outstanding foreign currency forward contracts at November 30, 2008 where the notional amount is determined using contract exchange rates:

(In thousands)

	Notional Value	Fair Value
Foreign currency forward contracts to sell U.S. dollars	\$ 57,968	\$ (46)
Foreign currency forward contracts to purchase U.S. dollars	14,812	(180)
Total	\$ 72,780	\$ (226)

Note 5: Property and Equipment

Property and equipment consists of the following:

(In thousands)

November 30,	2009	2008
Computer equipment and software	\$ 59,850	\$ 56,693
Land, buildings and leasehold improvements	57,389	49,812
Furniture and fixtures	9,904	9,711
Total	127,143	116,216
Less accumulated depreciation and amortization	67,518	53,069
Property and equipment, net	\$ 59,625	\$ 63,147

Note 6: Intangible Assets and Goodwill

Intangible assets are composed of the following significant classes at November 30, 2009:

(In thousands)

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	\$124,852	\$ 61,190	\$63,662
Customer-related and other	59,617	36,890	22,727
Total	\$184,469	\$ 98,080	\$86,389

Intangible assets are composed of the following significant classes at November 30, 2008:

(In thousands)

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	\$120,065	\$ 41,984	\$ 78,081
Customer-related and other	59,466	28,678	30,788
Total	\$179,531	\$ 70,662	\$108,869

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We amortize intangible assets assuming no expected residual value. The weighted average amortization period for all intangible assets is 6.6 years, including 6.5 years for purchased technology and 6.7 years for customer-related and other intangible assets. Amortization expense related to these intangible assets was \$28.5 million, \$19.5 million and \$17.4 million in fiscal years 2009, 2008 and 2007, respectively. We estimate future amortization expense from intangible assets held as of November 30, 2009, to be \$25.9 million, \$19.1 million, \$15.4 million, \$8.9 million and \$6.9 million in fiscal years 2010, 2011, 2012, 2013 and 2014, respectively.

Changes in the carrying amount of goodwill for fiscal year 2009 by segment, as reported for fiscal 2009, is as follows:

(In thousands)

	Balance Dec. 1, 2008	Acquisitions and Purchase Accounting Adjustments	Write-down	Translation Adjustments	Balance Nov. 30, 2009
OpenEdge segment	\$ 2,968	\$ —	—	\$ 640	\$ 3,608
Enterprise Infrastructure segment	123,617	(15,810)	—	—	107,807
Data Infrastructure segment	106,800	—	—	283	107,083
Total	\$233,385	\$ (15,810)	—	\$ 923	\$218,498

The decrease in goodwill from the end of fiscal 2008 was primarily related to recognition of tax benefits, primarily net operating loss carry-forwards, changes to the tax attributes of certain items in the preliminary allocation of the purchase price and reductions in the value of assumed liabilities, primarily pre-acquisition contingencies and income taxes payable, from the acquisition of IONA in September 2008.

Changes in the carrying amount of goodwill for fiscal year 2008 by segment, as reported for fiscal 2008, is as follows:

(In thousands)

	Balance Dec. 1, 2007	Acquisitions and Purchase Accounting Adjustments	Write-down	Translation Adjustments	Balance Nov. 30, 2008
OpenEdge and SOA	\$ 30,269	\$ 81,414	—	\$ (915)	\$110,768
DataDirect	88,234	4,236	—	—	92,470
Other	30,554	—	—	(407)	30,147
Total	\$149,057	\$ 85,650	—	\$ (1,322)	\$233,385

Note 7: Earnings Per Share

We compute basic earnings per share using the weighted average number of common shares outstanding. We compute diluted earnings per share using the weighted average number of common shares outstanding plus the effect of outstanding dilutive stock options, using the treasury stock method, and outstanding restricted and deferred stock units. The following table sets forth the calculation of basic and diluted earnings per share for each fiscal year:

(In thousands, except per share data)

Year Ended November 30,	2009	2008	2007
Net income	\$ 32,755	\$ 46,296	\$ 42,280
Weighted average shares outstanding	40,103	41,035	41,554
Dilutive impact from common stock equivalents	938	1,642	2,389
Diluted weighted average shares outstanding	41,041	42,677	43,943
Basic earnings per share	\$ 0.82	\$ 1.13	\$ 1.02
Diluted earnings per share	\$ 0.80	\$ 1.08	\$ 0.96

Stock options to purchase approximately 6,382,000 shares, 3,440,000 shares and 2,379,000 shares of common stock were excluded from the calculation of diluted earnings per share in fiscal years 2009, 2008 and 2007, respectively, because these options were anti-dilutive.

Note 8: Shareholders' Equity**Preferred Stock**

Our Board of Directors is authorized to establish one or more series of preferred stock and to fix and determine the number and conditions of preferred shares, including dividend rates, redemption and/or conversion provisions, if any, preferences and voting rights. At November 30, 2009, our Board of Directors had not issued any series of preferred stock.

Common Stock

A summary of share activity is as follows:

(In thousands)

Year Ended November 30,	2009	2008	2007
Beginning balance	39,904	42,380	41,177
Shares issued	986	1,437	2,508
Shares repurchased and retired	(276)	(3,912)	(1,290)
Shares forfeited	(10)	(1)	(15)
Ending balance	40,604	39,904	42,380

In fiscal 2009, we issued 16,000 shares with a fair value of \$0.4 million to non-employee members of the Board the Directors.

Common Stock Repurchases

In fiscal years 2009, 2008 and 2007, we purchased and retired 276,000 shares, 3,912,000 shares and 1,290,000 shares, respectively, of our common stock for \$5.5 million, \$111.5 million and \$38.0 million, respectively. Included in the share repurchases for fiscal 2009 were 12,000 shares withheld from employees for payment of taxes totaling \$0.3 million.

In September 2009, the Board of Directors authorized, for the period from October 1, 2009 through September 30, 2010, the purchase of up to 1,000,000 shares of our common stock, at such times that management deems such purchases to be an effective use of cash. There were 997,000 shares of common stock available for repurchase under this authorization at November 30, 2009.

Stock Options and Stock Awards

We currently have one shareholder-approved stock plan from which we can issue equity securities, including options, deferred stock awards and restricted stock. In fiscal 2008, our board of directors and shareholders approved the 2008 Stock Option and Incentive Plan, which replaced the 1992 Incentive and Nonqualified Stock Option Plan, the 1994 Stock Incentive Plan and the 1997 Stock Incentive Plan (collectively, the Previous Plans). The Previous Plans solely exist to satisfy outstanding options previously granted under these plans. The 2008 Plan permits the granting of stock awards to officers, members of the Board of Directors, employees and consultants. Awards under the 2008 Plan may include nonqualified stock options, incentive stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals, deferred stock units and stock appreciation rights. The options granted prior to fiscal 2005 generally vest over five years and have terms of ten years. Options granted since fiscal 2005 generally vest over five years and have terms of seven years. A total of 25,340,000 shares are issuable under these plans, of which 383,000 shares were available for grant at November 30, 2009.

We have adopted two stock plans for which the approval of shareholders was not required: the 2002 Nonqualified Stock Plan (2002 Plan) and the 2004 Inducement Stock Plan (2004 Plan). The 2002 Plan permits the granting of stock awards to non-executive officer employees and consultants. Executive officers and members of the Board of Directors are not eligible for awards under the 2002 Plan. Awards under the 2002 Plan may include nonqualified stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. The options granted prior to fiscal 2005 generally vest over five years and have terms of ten years. The options granted since fiscal 2005 generally vest over five years and have terms of seven years. A total of 6,500,000 shares are issuable under the 2002 Plan, of which 611,000 shares were available for grant at November 30, 2009.

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The 2004 Plan is reserved for persons to whom we may issue securities as an inducement to become employed by us pursuant to the rules and regulations of the NASDAQ Stock Market. Awards under the 2004 Plan may include nonqualified stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. The options granted prior to fiscal 2005 generally vest over five years and have terms of ten years. The options granted since fiscal 2005 generally vest over five years and have terms of seven years. A total of 1,000,000 shares are issuable under the 2004 Plan, of which 236,000 shares were available for grant at November 30, 2009.

A summary of stock option activity under all plans is as follows:

(In thousands, except per share data)

	Number of Shares	Weighted Average Exercise Price Per Share
Options outstanding, December 1, 2008	9,769	\$ 23.07
Granted	1,455	22.87
Exercised	(510)	17.76
Canceled	(605)	27.10
Options outstanding, November 30, 2009	10,109	\$ 23.07

For various exercise price ranges, characteristics of outstanding and exercisable stock options at November 30, 2009 are as follows:

(Number of shares in thousands)

Range of Exercise Price:	Options Outstanding			Options Exercisable	
	Number of Shares	Weighted Average Remaining Life (in years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
\$12.06-18.75	2,194	2.79	\$ 15.78	2,167	\$ 15.77
19.25-21.50	1,987	5.16	20.09	1,232	20.38
21.86-23.48	1,943	4.50	22.28	1,252	22.35
23.90-29.94	2,154	5.04	26.89	1,068	27.15
30.71-32.40	1,831	3.86	31.36	1,389	31.27
\$12.06-32.40	10,109	4.26	\$ 23.07	7,108	\$ 22.47

Options outstanding that have vested and that are expected to vest as of November 30, 2009 are as follows:

(In thousands, except per share data)

	Outstanding Options	Weighted Average Remaining Life (in years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (1)
Vested	7,108	3.65	\$ 22.47	\$24,760
Expected to vest	2,677	5.55	24.78	4,400
Total	9,785	4.17	\$ 23.04	\$29,160

- (1) The aggregate intrinsic value was calculated based on the difference between the closing price of our stock on November 30, 2009 of \$24.08 and the exercise prices for all in-the-money options outstanding.

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A summary of the status of our restricted stock awards at November 30, 2009 is as follows:

(In thousands, except per share data)

	Number of Shares	Weighted Average Grant date Fair value
Restricted stock awards outstanding, December 1, 2008	16	\$ 26.05
Granted	—	—
Vested	(3)	26.05
Canceled	(8)	26.05
Restricted stock awards outstanding, November 30, 2009	5	\$ 26.05

The restricted stock awards vest semi-annually over a three-year period.

A summary of the status of our restricted stock units at November 30, 2009 is as follows:

(In thousands, except per share data)

	Number of Shares	Weighted Average Grant date Fair value
Restricted stock units outstanding, December 1, 2008	—	—
Granted	364	\$ 22.09
Issued	(68)	22.01
Canceled	(3)	22.01
Restricted stock units outstanding, November 30, 2009	293	\$ 22.11

Each restricted stock unit represents one share of common stock. The restricted stock units vest semi-annually over a three-year period.

A summary of the status of our deferred stock units at November 30, 2009 is as follows:

(In thousands, except per share data)

	Number of Shares	Weighted Average Grant date Fair value
Deferred stock units outstanding, December 1, 2008	47	\$ 26.86
Granted	—	—
Issued	(12)	28.62
Deferred stock units outstanding, November 30, 2009	35	\$ 26.29

Each deferred stock unit (DSU) represents one share of our common stock. All DSU grants have been made to non-employee members of our Board of Directors. The DSUs are fully vested on date of grant, but do not have voting rights and can only be converted into common stock when the recipient ceases being a member of the Board.

The fair value of outright stock awards, restricted stock awards, restricted stock units and DSUs is equal to the closing price of our common stock on the date of grant.

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The following table provides the classification of stock-based compensation expense as reflected in our consolidated statements of income:

(In thousands)

Year Ended November 30,	2009	2008	2007
Cost of software licenses	\$ 37	\$ 72	\$ 129
Cost of maintenance and services	948	1,170	1,518
Sales and marketing	5,830	6,982	7,979
Product development	4,041	4,588	5,083
General and administrative	10,680	6,506	8,175
Total stock-based compensation expense	21,536	19,318	22,884
Income tax benefit included in provision for income taxes	(5,163)	(4,632)	(5,728)
Total stock-based compensation expense, net of tax	\$ 16,373	\$ 14,686	\$ 17,156

In fiscal 2009, we recognized stock-based compensation expense of \$4.9 million in connection with two option modifications related to a Separation Agreement that we entered into with Joseph W. Alsop, our co-founder and former President and Chief Executive Officer. Pursuant to the Separation Agreement, Mr. Alsop's employment with us terminated on June 30, 2009.

The Separation Agreement provides for two modifications to Mr. Alsop's existing stock options. First, the Separation Agreement provides for the acceleration of vesting of Mr. Alsop's unvested stock options, which represent the right to purchase 254,464 shares of our common stock. Second, the Separation Agreement extends the timeframe during which Mr. Alsop may exercise all of his stock options following the termination of his employment. Under the terms of the Separation Agreement, Mr. Alsop will be entitled to exercise all of his outstanding stock options, representing options to purchase a total of 1,746,500 shares of our common stock, until the earlier of (a) the original expiration date for each such option or (b) March 31, 2014.

We estimated the fair value of options and employee stock purchase plan shares granted in fiscal years 2009, 2008 and 2007 on the measurement dates using the Black-Scholes option valuation model with the following weighted average assumptions:

Year Ended November 30,	2009	2008	2007
Stock Purchase Plan:			
Expected volatility	30.7%	23.4%	25.4%
Risk-free interest rate	0.8%	4.1%	4.6%
Expected life in years	2.1	1.3	1.3
Expected dividend yield	None	None	None
Stock Options:			
Expected volatility	26.9%	24.9%	26.5%
Risk-free interest rate	2.0%	2.9%	4.5%
Expected life in years	4.7	4.8	4.9
Expected dividend yield	None	None	None

For each option award, the expected life in years is based on historical exercise patterns and post-vesting termination behavior. Expected volatility is based on historical volatility of our stock, and the risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. We do not currently pay cash dividends on our common stock and do not anticipate doing so for the foreseeable future. Accordingly, our expected dividend yield is zero.

For each stock purchase plan award, the expected life in years is based on the period of time between the beginning of the offering period and the date of purchase, plus an additional holding period of three months. Expected volatility is based on historical volatility of the company's stock, and the risk-free interest rate is based on the U.S. Treasury yield curve in effect at each purchase period.

Based on the above assumptions, the weighted average estimated fair value of options granted in fiscal years 2009, 2008 and 2007 was \$6.34, \$6.46 and \$10.11 per share, respectively. We amortize the estimated fair value of options to expense over the vesting period. The weighted average estimated fair value for shares issued under our 1991 Employee Stock Purchase Plan (ESPP) in fiscal years 2009, 2008 and 2007 was \$6.28, \$7.24 and \$7.04 per share, respectively. We amortize the estimated fair value of shares issued under the ESPP to expense over the vesting period using a graded vesting model.

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Other reasonable assumptions about these factors could provide different estimates of fair value. Future changes in stock price volatility, life of options, interest rates and dividend practices, if any, may require changes in our assumptions, which could materially affect the calculation of fair value.

Total unrecognized stock-based compensation expense, net of expected forfeitures, related to unvested stock options and unvested restricted stock awards amounted to \$23.9 million at November 30, 2009. These costs are expected to be recognized over a weighted average period of 2.9 years.

During fiscal years 2009, 2008 and 2007 the following activity occurred under our plans:

(In thousands)

Year Ended November 30,	2009	2008	2007
Total intrinsic value of stock options on date exercised	\$ 2,569	\$ 14,462	\$ 32,767
Total fair value of DSUs on date vested	—	695	872
Total fair value of restricted stock awards on date vested	82	—	2,083
Total fair value of restricted stock units on date vested	1,576	—	—

Employee Stock Purchase Plan

The Employee Stock Purchase Plan (ESPP) permits eligible employees to purchase up to a maximum of 4,500,000 shares of our common stock through accumulated payroll deductions. The ESPP has a 27-month offering period comprised of nine three month purchase periods. The purchase price of the stock is equal to 85% of the lesser of the market value of such shares at the beginning of a 27-month offering period or the end of each three-month segment within such offering period. If the market price at any of the nine purchase periods is less than the market price on the first date of the 27-month offering period, subsequent to the purchase, the offering period is cancelled and the employee is entered into a new 27-month offering period with the then current market price as the new base price. We issued 380,000 shares, 301,000 shares and 292,000 shares with weighted average purchase prices of \$15.12, \$22.30 and \$21.42 per share, respectively, in fiscal years 2009, 2008 and 2007, respectively. At November 30, 2009, approximately 590,000 shares were available and reserved for issuance under the ESPP.

Note 9: Retirement Plan

We maintain a retirement plan covering all U.S. employees under Section 401(k) of the Internal Revenue Code. Company contributions to the plan are at the discretion of the Board of Directors and totaled approximately \$4.0 million, \$5.2 million and \$5.5 million for fiscal years 2009, 2008 and 2007, respectively.

Note 10: Income Taxes

The components of pretax income are as follows:

(In thousands)

Year Ended November 30,	2009	2008	2007
United States	\$ 32,279	\$ 49,462	\$ 50,485
Non-U.S.	18,901	24,548	14,562
Total	\$ 51,180	\$ 74,010	\$ 65,047

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The provisions for income taxes are comprised of the following:

(In thousands)

Year Ended November 30,	2009	2008	2007
Current:			
Federal	\$ 10,116	\$ 20,131	\$ 19,046
State	1,383	1,639	2,645
Foreign	7,293	9,900	5,203
Total current	18,792	31,670	26,894
Deferred:			
Federal	1,948	(2,499)	(2,896)
State	(36)	(454)	(215)
Foreign	(2,279)	(1,003)	(1,016)
Total deferred	(367)	(3,956)	(4,127)
Total	\$ 18,425	\$ 27,714	\$ 22,767

The tax effects of significant items comprising our deferred taxes are as follows:

(In thousands)

November 30,	2009	2008
Deferred tax assets:		
Accounts receivable	\$ 1,541	\$ 1,911
Other current assets	1,119	410
Capitalized research costs	4,122	5,546
Accrued compensation	1,903	2,804
Accrued liabilities and other	9,454	17,059
Deferred revenue	2,976	1,061
Stock-based compensation	12,973	9,609
Tax credit and loss carryforwards	40,582	34,791
Gross deferred tax assets	74,670	73,191
Valuation allowance	(21,668)	(21,100)
Total deferred tax assets	53,002	52,091
Deferred tax liabilities:		
Goodwill	(8,181)	(4,414)
Depreciation and amortization	(3,195)	(13,818)
Total deferred tax liabilities	(11,376)	(18,232)
Total	\$ 41,626	\$ 33,859

The valuation allowance primarily applies to net operating loss carryforwards, unutilized tax credits and capital loss carryforwards in jurisdictions or under conditions where realization is not assured. The increase in the valuation allowance during fiscal 2009 and fiscal 2008 primarily related to either the creation or acquisition of net operating loss carryforwards or excess tax credits.

At November 30, 2009, we have net operating loss carryforwards of \$53.7 million expiring on various dates through 2026 and \$29.3 million that may be carried forward indefinitely. At November 30, 2009, we have tax credit carryforwards of approximately \$11.8 million expiring on various dates through 2029 and \$0.6 million that may be carried forward indefinitely.

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A reconciliation of the U.S. federal statutory rate to the effective tax rate is as follows:

Year Ended November 30,	2009	2008	2007
Tax at U.S. federal statutory rate	35.0%	35.0%	35.0%
Foreign rate differences	(1.7)	1.7	1.5
State income taxes, net	1.7	1.7	2.4
Research credits	(3.7)	(2.3)	(2.6)
Tax-exempt interest	(0.5)	(2.7)	(4.6)
Nondeductible stock-based compensation	5.2	3.2	3.3
Other	0.0	0.9	0.0
Total	36.0%	37.5%	35.0%

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. We adjust these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities would result in income tax benefits being recognized in the period when we determine the liabilities are no longer necessary.

A reconciliation of the balance of our unrecognized tax benefits is as follows:

(In thousands)

November 30,	2009	2008
Beginning balance	\$ 4,784	\$ 4,367
Tax position related to current year	—	325
Settlements with tax authorities	(1,323)	(1,112)
Tax positions acquired	—	1,204
Lapses due to expiration of the statute of limitations	(180)	—
Ending balance	\$ 3,281	\$ 4,784

We recognize interest and penalties related to uncertain tax positions as a component of our provision for income taxes. In fiscal years 2009 and 2008, we included \$0.2 million and \$0.5 million, respectively, of estimated interest and penalties in the provision for income taxes. We had accrued \$0.9 million of estimated interest and penalties at the end of each of November 30, 2009 and November 30, 2008.

We have not provided for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries, as these earnings have been permanently reinvested or would be principally offset by foreign tax credits. Cumulative undistributed foreign earnings were approximately \$31.5 million at November 30, 2009.

During fiscal 2009, we settled our appeal with the Internal Revenue Service related to audits for periods through fiscal 2005 with no material impact to our consolidated financial statements. State taxing authorities are currently examining our income tax returns for years through fiscal 2008. Our state income tax returns have been examined or are closed by statute for all years prior to fiscal 2004, and we are no longer subject to audit for those periods.

Tax authorities for certain non-U.S. jurisdictions are also examining returns affecting unrecognized tax benefits, none of which are material to our balance sheet, cash flows or statements of income. With some exceptions, we are generally no longer subject to tax examinations in non-U.S. jurisdictions for years prior to fiscal 2003.

We believe that we have adequately provided for any reasonably foreseeable outcomes related to our tax audits and that any settlement will not have a material adverse effect on our consolidated financial position or results of operations. However, there can be no assurances as to the possible outcomes.

Note 11: Long-term Debt, Commitments and Contingencies**Long-term Debt**

In connection with the purchase of a building adjacent to our headquarters building, we were required to assume the existing mortgage under the terms of the agreement. The mortgage, secured by the building, had a remaining principal balance of \$2.4 million with a fixed annual interest rate of 8.05% at the time of the purchase. We may repay the entire outstanding balance at any time, subject to a potential penalty based on interest rates in effect at that time. The final payment is due in June 2012.

Future principal and interest payments are as follows:

(In thousands)

	Principal	Interest
2010	\$ 358	\$ 69
2011	388	39
2012	276	9
Total	\$ 1,022	\$ 117

Leasing Arrangements

We lease certain facilities and equipment under non-cancelable operating lease arrangements. Future minimum rental payments under these leases are as follows at November 30, 2009:

(In thousands)

2010	\$ 16,097
2011	12,435
2012	9,924
2013	5,757
2014	2,883
Thereafter	535
Total	\$ 47,631

Total rent expense, net of sub-rental income which is insignificant, under operating lease arrangements was approximately \$12.4 million, \$11.2 million and \$11.5 million in fiscal years 2009, 2008 and 2007, respectively.

Guarantees and Indemnification Obligations

We include standard intellectual property indemnification provisions in our licensing agreements in the ordinary course of business. Pursuant to our product license agreements, we will indemnify, hold harmless, and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally business partners or customers, in connection with certain patent, copyright or other intellectual property infringement claims by third parties with respect to our products. Other agreements with our customers provide indemnification for claims relating to property damage or personal injury resulting from the performance of services by us or our subcontractors. Historically, our costs to defend lawsuits or settle claims relating to such indemnity agreements have been insignificant. Accordingly, the estimated fair value of these indemnification provisions is immaterial.

We are subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these other claims cannot be predicted with certainty, management does not believe that the outcome of any of these other legal matters will have a material adverse effect on our consolidated financial position or results of operations.

Note 12: Business Segments and International Operations

Operating segments as defined under GAAP are components of an enterprise about which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and assess performance. We base our segment information on a management approach which utilizes our internal reporting structure and we disclose revenue and operating income based upon internal accounting methods. Our chief operating decision maker is our Chief Executive Officer.

In fiscal 2009 we were organized in three business units which were reportable segments: (1) OpenEdge, which includes the OpenEdge products; (2) Enterprise Infrastructure, which includes the Apama, Sonic, Actional, Orbix and FUSE products; and (3) Data Infrastructure, which includes the DataDirect Connect, DataDirect Shadow, DataXtend and ObjectStore products. Our product lines are synonymous with our reportable segments or business units.

In the fourth quarter of fiscal 2009, we reorganized into three business units, which meet the criteria for segment reporting, for fiscal 2010: (1) Application Development Platforms, which includes the OpenEdge, Orbix and ObjectStore products; (2) Enterprise Business Solutions, which includes the Apama, Sonic, Progress Actional and FUSE products; and (3) Enterprise Data Solutions, which includes the DataDirect Connect, DataDirect Shadow, DataXtend and data services platform products. We will report our segment results under this structure in the first quarter of fiscal 2010.

We do not manage our assets, capital expenditures, other income or provision for income taxes by segment. We manage such items on a consolidated company basis.

The following table provides revenue and income from operations from our reportable segments:

(In thousands)

Year Ended November 30,	2009	2008	2007
Revenue:			
OpenEdge segment	\$275,893	\$331,425	\$336,542
Enterprise Infrastructure segment	128,170	85,430	59,560
Data Infrastructure segment	92,745	101,401	97,398
Reconciling items	(2,671)	(2,696)	—
Total	\$494,137	\$515,560	\$493,500
Income (loss) from operations:			
OpenEdge segment	\$142,953	*	*
Enterprise Infrastructure segment	(28,942)	*	*
Data Infrastructure segment	(4,655)	*	*
Reconciling items	(58,224)	*	*
Total	\$ 51,132	*	*

* We did not include prior year comparisons for income from operations as it is not practical to restate the fiscal 2007 and 2008 data into the fiscal 2009 structure or the fiscal 2009 data into the fiscal 2007 and 2008 structure.

The reconciling items within revenue represent purchase accounting adjustments for deferred revenue related to acquisitions, as such amounts are not deducted from internal measurements of segment revenue. Amounts included under reconciling items within income from operations represent amortization of acquired intangibles, stock-based compensation, restructuring and acquisition-related expenses, purchase accounting adjustments for deferred revenue and certain unallocated administrative expenses.

Our revenues are derived from licensing our products, and from related services, which consist of maintenance and consulting and education. Information relating to revenue from external customers by revenue type is as follows:

(In thousands)

Year Ended November 30,	2009	2008	2007
Software licenses	\$175,566	\$192,217	\$187,080
Maintenance	279,138	272,532	252,562
Consulting and education	39,433	50,811	53,858
Total	\$494,137	\$515,560	\$493,500

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In the following table, revenue attributed to North America includes shipments to customers in the United States and Canada and licensing to certain multinational organizations. Revenue from Europe, Middle East and Africa (EMEA), Latin America and Asia Pacific includes shipments to customers in each region, not including certain multinational organizations, plus export shipments into each region that are billed from the United States. Information relating to revenue from external customers from different geographical areas is as follows:

(In thousands)

Year Ended November 30,	2009	2008	2007
North America	\$221,173	\$216,574	\$211,782
EMEA	208,002	234,037	225,164
Latin America	33,884	32,902	29,158
Asia Pacific	31,078	32,047	27,396
Total	\$494,137	\$515,560	\$493,500

Revenue from the United Kingdom totaled \$57.9 million, \$68.8 million and \$72.0 million for fiscal years 2009, 2008 and 2007, respectively. No other country outside of the United States accounted for more than 10% of our consolidated total revenue in any year presented. Long-lived assets totaled \$55.3 million, \$60.4 million and \$60.2 million in the United States and \$9.7 million, \$8.6 million and \$10.6 million outside of the United States at the end of fiscal years 2009, 2008 and 2007, respectively. No individual country outside of the United States accounted for more than 10% of our consolidated long-lived assets. Long-lived assets exclude goodwill and intangible assets, which are not allocated to specific geographies as it is impracticable to do so.

Note 13: Business Combinations

On January 8, 2010, we acquired all of the equity interests in Savvion, Inc., a privately-held company, for an aggregate purchase price of approximately \$49 million, net of cash acquired. Savvion is a provider of business process management software. The Savvion product lines will become part of our Enterprise Business Solutions business unit. The acquisition will be accounted for as a purchase, and accordingly, the results of operations of Savvion will be included in our operating results from the date of acquisition. The purchase price was paid in cash from available funds.

Fiscal 2008 Transactions:

- On February 5, 2008, we acquired, through a wholly-owned subsidiary, the stock of Xcalia SA (Xcalia) for a cash payment of \$4.9 million, net of cash acquired. Xcalia is a leader in providing data access and integration for service oriented architectures. The purpose of the acquisition was to expand the product offerings within the Data Infrastructure product line. We accounted for the acquisition as a purchase, and accordingly, we included the results of operations of Xcalia in our operating results from February 5, 2008, the date of acquisition. In addition, we paid direct transaction costs related to this acquisition of \$0.9 million. We paid the purchase price in cash from available funds.
- On June 13, 2008, we acquired substantially all of the assets and assumed certain liabilities of Mindreef, Inc. (Mindreef) for a cash payment of \$6.0 million, net of cash acquired. Mindreef develops and sells quality assurance and validation solutions for SOA deployments. The purpose of the acquisition was to expand the capabilities of our Actional product set, which is included in our Enterprise Infrastructure product line. We accounted for the acquisition as a purchase, and accordingly, we included the results of operations of Mindreef in our operating results from June 13, 2008, the date of acquisition. In addition, we paid direct transaction costs related to this acquisition of \$0.2 million. We paid the purchase price in cash from available funds.
- On September 12, 2008, we completed the acquisition of IONA Technologies PLC (IONA) for \$4.05 per share in cash, representing a cash payment of approximately \$125.1 million, net of cash acquired. IONA is a provider of SOA infrastructure products and services. The purpose of the acquisition was to broaden our Enterprise Infrastructure product line. We accounted for the acquisition as a purchase and accordingly, we included the results of operations of IONA in our operating results from September 12, 2008, the date of acquisition. In addition, we paid direct transaction costs related to this acquisition of \$3.2 million. We paid the purchase price in cash from available funds.

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The final allocation of the purchase prices, on an aggregate basis, was as follows:

(In thousands)

	Total
Cash and short-term investments	\$ 28,562
Accounts receivable	5,625
Property and equipment	1,776
Investments in auction rate securities	17,000
Deferred tax assets	4,945
Other assets	3,437
Acquired intangible assets (assigned lives of 1 to 8 years)	77,120
Goodwill (tax deductible)	2,051
Goodwill (not deductible for tax purposes)	67,789
Accounts payable and other liabilities	(32,366)
Deferred revenue	(9,120)
Total	166,819
Less: cash acquired	(26,536)
Net cash paid	\$140,283

The value of the intangible assets acquired as part of the acquisition of IONA was \$52.2 million for purchased technology and \$16.9 million for customer-related and other intangibles with a weighted average amortization period of 7.3 years and 7.0 years for each class of intangible assets, respectively. The value of goodwill (not deductible for tax purposes) associated with the acquisition of IONA was \$63.4 million.

The following table sets forth supplemental, unaudited pro forma financial information that assumes the acquisition of IONA was completed at the beginning of each pro forma period presented. The information for the twelve months ended November 30, 2008 includes our historical results for fiscal 2008 and the historical results of IONA for the nine-month period ended June 30, 2008, due to different fiscal period ends. The information for the twelve months ended November 30, 2007 includes our historical results for fiscal 2007 and the historical results of IONA for the twelve-month period ended September 30, 2007, due to different fiscal periods.

The unaudited pro forma results include estimates and assumptions regarding increased amortization of intangible assets related to the acquisition, decreased interest income related to cash paid for the purchase price of the acquisition and the related tax effects, which we believe are reasonable. However, pro forma results are not necessarily indicative of the results that would have occurred if the acquisitions had occurred on the date indicated, or that may result in the future.

(In thousands, except per share data, unaudited)

Year Ended November 30,	2008	2007
Pro forma revenue	\$567,546	\$575,852
Pro forma net income	27,385	33,116
Pro forma diluted earnings per share	0.64	0.75

We have not included financial information for Xcalia and Mindreef in the pro forma results as the historical operations were not significant to our consolidated financial statements either individually or in the aggregate.

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In connection with certain of the above acquisitions, we established reserves for exit costs related to facilities closures and related costs and employee severance included as part of the purchase price allocation. The amounts included under cash disbursements are net of proceeds received from sublease agreements. A summary of activity is as follows:

(In thousands)

	Facilities Closures and Related Costs	Employee Severance And Related Benefits	Total
Balance, December 1, 2006	\$ 1,564	—	\$ 1,564
Reversal of previously established reserve	(365)	—	(365)
Cash disbursements	(863)	—	(863)
Balance, November 30, 2007	336	—	336
Establishment of reserve related to IONA	7,617	\$ 3,172	10,789
Cash disbursements	(560)	(1,987)	(2,547)
Balance, November 30, 2008	7,393	1,185	8,578
Adjustment to previously established reserve	201	—	201
Cash disbursements	(2,475)	(1,185)	(3,660)
Other	700	—	700
Balance, November 30, 2009	\$ 5,819	\$ —	\$ 5,819

Adjustments to reserves have been recorded due to changes in estimates related to facilities related expenses. The amounts included in the Other category represent rent accretion and foreign currency translation adjustments. The balance of the facilities closures and related costs is expected to be paid over a period of time ending in 2013.

For the restructuring reserve described above the short-term portion is included in other accrued liabilities and the long-term portion is included in other non-current liabilities on the balance sheet at November 30, 2009.

Note 14: Restructuring Charge

Q1 2009 Restructuring Plan

During the first quarter of fiscal 2009, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes and recent acquisitions. The total expected costs associated with the restructuring aggregated to \$5.2 million, of which \$1.0 million remained to be paid at November 30, 2009. These costs primarily related to employee severance and facilities related expenses, and were recorded to the restructuring expense line item within our consolidated statements of income. The excess facilities and other costs represent termination costs of automobile leases for employees that have been terminated and excess facilities costs for unused space. As described in Note 12, restructuring charges are not allocated to segments, but managed on a consolidated company basis.

Q4 2008 Restructuring Plan

During the fourth quarter of fiscal 2008, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes and recent acquisitions. The total expected costs associated with the restructuring aggregated to \$6.6 million, of which \$0.1 million remained to be paid at November 30, 2009. These costs primarily related to employee severance and facilities related expenses, and were recorded to the restructuring expense line item within our consolidated statements of income. The excess facilities and other costs represent termination costs of automobile leases for employees that have been terminated and excess facilities costs for unused space.

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A summary of the combined activity for the above-mentioned restructuring actions is as follows:

(In thousands)

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2007	\$ —	\$ —	\$ —
Establishment of reserve related to restructuring	676	6,239	6,915
Cash disbursements	—	(748)	(748)
Balance, November 30, 2008	676	5,491	6,167
Establishment of reserve related to Q1 2009 restructuring	394	5,280	5,674
Adjustments to reserve related to Q4 2008 restructuring	(356)	102	(254)
Adjustments to reserve related to Q1 2009 restructuring	83	(288)	(205)
Cash disbursements related to Q4 2008 restructuring	(271)	(5,808)	(6,079)
Cash disbursements related to Q1 2009 restructuring	(160)	(4,957)	(5,117)
Translation adjustments	6	432	438
Balance, November 30, 2009	\$ 372	\$ 252	\$ 624

Adjustments to reserves have been recorded due to changes in estimates related to employee severance and facilities related expenses, and were recorded to the restructuring expense line item within our consolidated statements of income. The balance of the employee severance and related benefits will be paid in fiscal 2010. The balance of the excess facilities and related costs is expected to be paid over a period of time ending in fiscal 2010.

In December 2009, we announced a series of initiatives to better position us for long-term growth and improved profitability. To execute these initiatives, we announced that we are restructuring our sales, development and marketing organizations as well as other functions to better optimize operations and to improve productivity and efficiency. As a result, during the first quarter of fiscal 2010, we will reduce our global workforce by approximately 230 to 260 positions, representing approximately 13 to 14 percent of our global workforce. This workforce reduction is from substantially all functional units and across all geographies in which we operate. We are also consolidating offices in various locations, including our offices in Nashua, New Hampshire and Dublin, Ireland during the first quarter of fiscal 2010. As a result of these workforce reductions and office consolidations, we currently expect to incur in the aggregate a pre-tax charge in the range of approximately \$19 million to \$23 million. The estimated aggregate charge consists of approximately \$14 million to \$18 million relating to our global workforce reduction, consisting primarily of severance and post-employment benefits, and approximately \$5 million relating to our office consolidations. We expect to record this charge primarily in the first quarter of fiscal 2010. Substantially all of this charge will result in cash expenditures.

Note 15: Selected Quarterly Financial Data (unaudited)

(In thousands, except per share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2009:				
Revenue	\$120,860	\$117,047	\$119,433	\$136,797
Gross profit	96,482	94,454	96,907	113,092
Income from operations	4,719	11,541	9,092	25,780
Net income	3,652	6,906	5,521	16,676
Diluted earnings per share	0.09	0.17	0.13	0.40
Basic earnings per share	0.09	0.17	0.14	0.41
2008:				
Revenue	\$121,567	\$127,942	\$126,620	\$139,431
Gross profit	98,957	105,246	103,885	115,583
Income from operations	17,148	20,604	18,107	8,524
Net income	12,836	14,471	12,537	6,452
Diluted earnings per share	0.29	0.33	0.30	0.16
Basic earnings per share	0.30	0.35	0.31	0.16

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

None.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Our management maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), as appropriate, to allow for timely decisions regarding required disclosure.

Our management, including the chief executive officer and the chief financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed in the reports filed or submitted by us under the Securities Exchange Act of 1934 was recorded, processed, summarized and reported within the requisite time periods.

In connection with our review of our second quarter fiscal 2009 financial results, we determined that we did not have adequate operation of internal controls to ensure the accurate and complete accumulation of information used to report the statement of cash flows on a timely basis. We believe that the design of the existing financial close and reporting review controls in place was adequate, but more specific review procedures intended to identify errors in the data accumulation process did not operate effectively which resulted in the material weakness. Due to such factors, we do not believe that the material weakness existed prior to the second quarter of fiscal 2009. As a result of this material weakness, an error was identified after financial information was reported in our fiscal second quarter press release, but was corrected prior to filing our Form 10-Q for the three month period ended May 31, 2009.

The error resulted in a reclassification of amounts reported as net cash provided by operating activities of \$12.9 million, and an increase in the net cash provided by investing activities and amounts reported related to the effect of exchange rate changes on cash by an aggregate offsetting amount. The error did not impact our total cash and equivalents as of any reported date or the total changes in cash and equivalents for the period.

During the third quarter of fiscal 2009, we enacted our remediation plan. In order to ensure that the review controls operate as designed, we implemented various enhancements to the existing review control structure to remediate the material weakness. Such enhancements ensure that the review procedures around data accumulation are operating effectively and included improving internal communication and additional cross checking and data validation via a reconciliation spreadsheet.

As of November 30, 2009 we have gathered sufficient evidence, based upon the frequency and timing of the operation of these review enhancements, to provide us with reasonable assurance regarding the reliability of the data used in our cash flow and a more detailed overall review of our financial statements. Based on the sufficient evidence gathered, Management considers the material weakness surrounding the accurate and complete accumulation of information used to report the statement of cash flows on a timely basis remediated as of November 30, 2009.

(b) Management’s Annual Report on Internal Control Over Financial Reporting

The management of Progress Software Corporation is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of November 30, 2009. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on our assessment we believe that, as of November 30, 2009, our internal control over financial reporting is effective based on those criteria.

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The effectiveness of our internal control over financial reporting as of November 30, 2009 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(d) Changes in internal control over financial reporting

No changes in our internal control over financial reporting occurred during the quarter ended November 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Progress Software Corporation
Bedford, MA

We have audited the internal control over financial reporting of Progress Software Corporation and subsidiaries (the “Company”) as of November 30, 2009 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 Annual 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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 by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, 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. 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the 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 November 30, 2009 based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended November 30, 2009 and our report dated January 29, 2010 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP
Boston, Massachusetts
January 29, 2010

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Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 is incorporated by reference to our definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 27, 2010, which will be filed with the Securities and Exchange Commission (SEC) not later than 120 days after November 30, 2009.

The following information is provided with respect to the members of our Board of Directors.

Barry N. Bycoff
Executive Chairman
Progress Software Corporation

Ram Gupta
Former President and Chief Executive Officer
CAST Iron Systems, Inc.

Charles F. Kane
President and Chief Operating Officer
One Laptop Per Child

David A. Krall
Executive Chairman
QSecure, Inc.

Michael L. Mark
Lead Independent Director
Progress Software Corporation

Richard D. Reidy
President and Chief Executive Officer
Progress Software Corporation

The following table sets forth certain information regarding our executive officers.

Name	Age	Position
Barry R. Bycoff	61	Executive Chairman of the Board
Richard D. Reidy	50	President and Chief Executive Officer and Director
Joseph A. Andrews	53	Vice President, Human Resources
John Bates	39	Chief Technology Officer and Head of Corporate Development
David A. Benson	50	Senior Vice President and Chief Information Officer
Gary G. Conway	56	Senior Vice President and Chief Marketing Officer
James D. Freedman	61	Senior Vice President and General Counsel
John P. Goodson	45	Vice President and General Manager, Enterprise Data Solutions
David G. Ireland	63	Executive Vice President and General Manager, Application Development Platforms
Christopher Larsen	51	Senior Vice President, Global Field Operations
Norman R. Robertson	61	Senior Vice President, Finance and Administration and Chief Financial Officer
Kenneth W. Rugg	45	Vice President and General Manager, Enterprise Business Solutions

Mr. Bycoff became our Executive Chairman in March 2009 and has been a director since March 2007. From May 2005 to July 2007, Mr. Bycoff was a venture partner of Pequot Ventures, the venture capital arm of Pequot Capital Management, Inc. and from July 1996 to November 2004, Mr. Bycoff was Chairman and CEO of Netegrity, Inc.

Mr. Reidy has been President and Chief Executive Officer since March 2009. Prior to that time, Mr. Reidy was Chief Operating Officer from September 2008 to March 2009. Prior to that time, he was Executive Vice President, a position he

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assumed in December 2007. Prior to December 2007, Mr. Reidy was President, DataDirect Technologies Division. Mr. Reidy joined us in 1985.

Mr. Andrews has been Vice President, Human Resources since he joined us in February 1997.

Dr. Bates has been Chief Technology Officer and Head of Corporate Development since December 2009. Prior to that time, Dr. Bates was Vice President and General Manager, Apama Division from July 2007 to November 2009. Prior to that time, he was Vice President, Apama Products. Dr. Bates co-founded Apama Limited, a predecessor company acquired by Progress, in 1995.

Mr. Benson joined us in June 2009 as Senior Vice President and Chief Information Officer. Prior to joining us, Mr. Benson served as Senior Vice President, Chief Information Officer for News Corporation, a diversified media and entertainment company, from May 2003 to August 2008.

Mr. Conway joined us in November 2008 as Senior Vice President and Chief Marketing Officer. Prior to joining us, Mr. Conway was Senior Vice President, Marketing at SprintNextel, Inc., with whom he was employed from 2004 until August 2006.

Mr. Freedman has been Senior Vice President and General Counsel since August 2004. Prior to that time, he was Vice President and General Counsel. Mr. Freedman joined us in 1992.

Mr. Goodson has been a Vice President and General Manager since December 2007. In his current capacity, Mr. Goodson is responsible for our Enterprise Data Solutions business unit. Prior to December 2007, Mr. Goodson was Vice President, Product Operations, for DataDirect Technologies Division. Mr. Goodson joined DataDirect Technologies Limited, a predecessor company acquired by Progress, in 1992.

Mr. Ireland has been Executive Vice President since December 2007. In his current capacity, he is responsible for our Application Development Platform business unit. Prior to December 2007, Mr. Ireland was President, Progress OpenEdge Division. Mr. Ireland joined us in 1997.

Mr. Larsen joined us in September 2009 as Senior Vice President, Global Field Operations. Prior to joining us, Mr. Larsen served as President and Chief Operating Officer of Allegro Development, a provider of energy trading risk management software, from January 2008 until January 2009. Prior to that time, Mr. Larsen was Executive Vice President of Global Field Operations at TIBCO Software, an enterprise software company, from September 2003 to April 2007.

Mr. Robertson has been Senior Vice President, Finance and Administration and Chief Financial Officer since 2000. Mr. Robertson joined us in 1996.

Mr. Rugg has been a Vice President and General Manager since December 2007. In his current capacity, Mr. Rugg is responsible for the Enterprise Business Solutions business unit. Prior to December 2007, Mr. Rugg was Vice President, Product Development for the ObjectStore and Real Time divisions. Prior to that time, Mr. Rugg joined eXcelon Corporation, a predecessor company acquired by Progress, in 1992.

Item 11. Executive Compensation

The information required by this Item 11 is incorporated by reference to our definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 27, 2010, which will be filed with the SEC not later than 120 days after November 30, 2009.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item 12 is incorporated by reference to our definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 27, 2010, which will be filed with the SEC not later than 120 days after November 30, 2009.

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Information related to securities authorized for issuance under equity compensation plans as of November 30, 2009 is as follows:

(In thousands, except per share data)

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
Equity compensation plans approved by shareholders (1)	7,372(2)	\$ 23.11	1,018(3)
Equity compensation plans not approved by shareholders (4)	2,737	22.95	849
Total	10,109	\$ 23.07	1,867

- (1) Consists of the 1992 Incentive and Nonqualified Stock Option Plan, 1994 Stock Incentive Plan, 1997 Stock Incentive Plan, 2008 Stock Option and Incentive Plan and 1991 Employee Stock Purchase Plan (ESPP).
- (2) Does not include purchase rights accruing under the ESPP because the purchase price (and therefore the number of shares to be purchased) will not be determined until the end of the purchase period.
- (3) Includes 590,000 shares available for future issuance under the ESPP.
- (4) Consists of the 2002 Nonqualified Stock Plan and the 2004 Inducement Plan described below.

We have adopted two equity compensation plans, the 2002 Nonqualified Stock Plan (2002 Plan) and the 2004 Inducement Stock Plan (2004 Plan), for which the approval of shareholders was not required. We intend that the 2004 Plan be reserved for persons to whom we may issue securities as an inducement to become employed by us pursuant to the rules and regulations of the NASDAQ Global Select Market. Executive officers and members of the Board of Directors are not eligible for awards under the 2002 Plan. An executive officer or director would be eligible to receive an award under the 2004 Plan only as an inducement to join us. Awards under the 2002 Plan and the 2004 Plan may include nonqualified stock options, grants of conditioned stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. A total of 7,500,000 shares are issuable under the two plans.

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

The information required by this Item 13 is incorporated by reference to our definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 27, 2010, which will be filed with the SEC not later than 120 days after November 30, 2009.

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 is incorporated by reference to our definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 27, 2010, which will be filed with the SEC not later than 120 days after November 30, 2009.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents Filed as Part of this Annual Report on Form 10-K

1. Financial Statements (included in Item 8 of this Annual Report on Form 10-K):
 - Report of Independent Registered Public Accounting Firm
 - Consolidated Balance Sheets as of November 30, 2009 and 2008
 - Consolidated Statements of Income for the years ending November 30, 2009, 2008 and 2007
 - Consolidated Statements of Shareholders' Equity for the years ending November 30, 2009, 2008 and 2007

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- Consolidated Statements of Cash Flows for the years ending November 30, 2009, 2008 and 2007
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Financial statement schedules are omitted as they are either not required or the information is otherwise included in the consolidated financial statements.

(b) Exhibits

Documents listed below, except for documents followed by parenthetical numbers, are being filed as exhibits. Documents followed by parenthetical numbers are not being filed herewith and, pursuant to Rule 12b-32 of the General Rules and Regulations promulgated by the SEC under the Securities Exchange Act of 1934 (the Act), reference is made to such documents as previously filed as exhibits with the SEC. Our file number under the Act is 0-19417.

- 2.2 Implementation Agreement, dated as of June 25, 2008, by and among IONA Technologies PLC, SPK Acquisitions Limited and, with respect to Section 7.4 and Section 7.7 only, Progress Software Corporation (1)
- 3.1 Restated Articles of Organization, as amended (2)
- 3.2 By-Laws, as amended and restated (3)
- 4.1 Specimen certificate for the Common Stock (4)
- 10.1* 1992 Incentive and Nonqualified Stock Option Plan
- 10.2* 1994 Stock Incentive Plan
- 10.3* 1997 Stock Incentive Plan, as amended and restated (5)
- 10.4* Employee Retention and Motivation Agreement as amended and restated, executed by each of the Executive Officers (6)
- 10.5* 2002 Nonqualified Stock Plan, as amended and restated (7)
- 10.6* 2004 Inducement Stock Plan, as amended and restated (8)
- 10.7* Progress Software Corporation 1991 Employee Stock Purchase Plan, as amended and restated (9)
- 10.8* Progress Software Corporation 2008 Stock Option and Incentive Plan (10)
- 10.9* Form of Notice of Grant of Stock Options and Grant Agreement under the Progress Software Corporation 2008 Stock Incentive Plan (11)
- 10.10* Progress Software Corporation Corporate Executive Bonus Plan (12)
- 10.11* Progress Software Corporation 2009 Fiscal Year Director Compensation Program, as amended (13)
- 10.13* Form of Deferred Stock Unit Agreement under the Progress Software Corporation 2008 Stock Incentive Plan (14)
- 10.14* Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the Progress Software Corporation 2008 Stock Incentive Plan (Initial Grant) (15)
- 10.15* Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the Progress Software Corporation 2008 Stock Incentive Plan (Annual Grant) (16)
- 10.16.1* Employment Letter Agreement, dated May 12, 2009, by and between Progress Software Corporation and Barry N. Bycoff regarding the terms of Mr. Bycoff's employment as Executive Chairman of the Board of Directors of Progress Software Corporation (17)
- 10.16.2* Letter Agreement, dated January 15, 2010, by and between Progress Software Corporation and Barry N. Bycoff regarding the extension of Mr. Bycoff's employment as Executive Chairman of the Board of Directors of Progress Software Corporation
- 10.17* Employment Letter, dated as of May 12, 2009, between Progress Software Corporation and Richard D. Reidy (18)
- 10.18* Amended and Restated Employee Retention and Motivation Agreement, dated as of October 13, 2009, by and between Progress Software Corporation and Richard D. Reidy (19)

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- 10.19* Severance Agreement, dated as of October 13, 2009, between Progress Software Corporation and Richard D. Reidy (20)
- 10.20* Separation Agreement, dated as of June 30, 2009, between Progress Software Corporation and Joseph W. Alsop (21)
- 10.21* Form of Restricted Stock Unit Agreement under the Progress Software Corporation 2008 Stock Incentive Plan
- 21.1 List of Subsidiaries of the Registrant
- 23.1 Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
- 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Richard D. Reidy
- 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Norman R. Robertson
- 32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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- (1) Incorporated by reference to Exhibit 2.1 of Form 8-K filed June 26, 2008.
 - (2) Incorporated by reference to Exhibit 3.1 of Form 8-K filed May 1, 2006.
 - (3) Incorporated by reference to Exhibit 3.1 of Form 8-K filed September 22, 2008.
 - (4) Incorporated by reference to Exhibit 4.1 of Form 8-K filed May 1, 2006.
 - (5) Incorporated by reference to Appendix B to our definitive Proxy Statement filed March 27, 2007.
 - (6) Incorporated by reference to Exhibit 10.1 of Form 8-K filed January 6, 2009.
 - (7) Incorporated by reference to Exhibit 10.5 of our Annual Report on Form 10-K for the year ended November 30, 2008.
 - (8) Incorporated by reference to Exhibit 10.6 of our Annual Report on Form 10-K for the year ended November 30, 2008.
 - (9) Incorporated by reference to Appendix A to our definitive Proxy Statement filed April 10, 2009.
 - (10) Incorporated by reference to Appendix A to our definitive Proxy Statement filed March 24, 2008.
 - (11) Incorporated by reference to Exhibit 10.2 of Form 8-K filed on April 28, 2008.
 - (12) Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended May 31, 2007.
 - (13) Incorporated by reference to Exhibit 10.12 to our Quarterly Report on Form 10-Q for the quarter ended May 31, 2009.
 - (14) Incorporated by reference to Exhibit 10.5 of Form 8-K filed on April 28, 2008
 - (15) Incorporated by reference to Exhibit 10.3 of Form 8-K filed on April 28, 2008.
 - (16) Incorporated by reference to Exhibit 10.4 of Form 8-K filed on April 28, 2008.
 - (17) Incorporated by reference to Exhibit 10.21 to our Quarterly Report on Form 10-Q for the quarter ended May 31, 2009.
 - (18) Incorporated by reference to Exhibit 10.22 to our Quarterly Report on Form 10-Q for the quarter ended May 31, 2009.
 - (19) Incorporated by reference to Exhibit 10.1 of Form 8-K/A filed on October 19, 2009.
 - (20) Incorporated by reference to Exhibit 10.2 of Form 8-K/A filed on October 19, 2009.
 - (21) Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended August 30, 2009.
 - * Management contract or compensatory plan or arrangement in which an executive officer or director of PSC participates

(c) Financial Statement Schedules

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 29th day of January, 2010.

PROGRESS SOFTWARE CORPORATION

By: /s/ RICHARD D. REIDY
Richard D. Reidy
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u> /s/ RICHARD D. REIDY </u> Richard D. Reidy	President, Chief Executive Officer and Director (Principal Executive Officer)	January 29, 2010
<u> /s/ NORMAN R. ROBERTSON </u> Norman R. Robertson	Senior Vice President, Finance and Administration and Chief Financial Officer (Principal Financial Officer)	January 29, 2010
<u> /s/ DAVID H. BENTON, JR. </u> David H. Benton, Jr.	Vice President and Corporate Controller (Principal Accounting Officer)	January 29, 2010
<u> /s/ BARRY N. BYCOFF </u> Barry N. Bycoff	Executive Chairman of the Board	January 29, 2010
<u> /s/ RAM GUPTA </u> Ram Gupta	Director	January 29, 2010
<u> /s/ CHARLES F. KANE </u> Charles F. Kane	Director	January 29, 2010
<u> /s/ DAVID A. KRALL </u> David A. Krall	Director	January 29, 2010
<u> /s/ MICHAEL L. MARK </u> Michael L. Mark	Director	January 29, 2010

PROGRESS SOFTWARE CORPORATION
1992 INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN

SECTION 1. PURPOSE

This 1992 Incentive and Nonqualified Stock Option Plan (the “Plan”) of Progress Software Corporation, a Massachusetts corporation (the “Company”), is designed to provide additional incentive to executives and other key employees of the Company, its parent and subsidiaries. The Company intends that this purpose will be effected by the granting of incentive stock options (“Incentive Stock Options”) as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), and nonqualified stock options (“Nonqualified Options”) under the Plan which afford such executives and key employees an opportunity to acquire or increase their proprietary interest in the Company through the acquisition of shares of its Common Stock. The Company intends that Incentive Stock Options issued under the Plan will qualify as “incentive stock options” as defined in Section 422 of the Code and the terms of the Plan shall be interpreted in accordance with this intention. The terms “parent” and “subsidiary” shall have the respective meanings set forth in Section 425 of the Code.

SECTION 2. ADMINISTRATION

2.1 The Plan shall be administered by a Committee (the “Committee”) consisting of at least two members of the Company’s Board of Directors (the “Board”). None of the members of the Committee shall be an officer or other employee of the Company, and none shall have been granted any incentive stock option or nonqualified option under this Plan or any other stock option plan of the Company within one year prior to service on the Committee. It is the intention of the Company that the Plan shall be administered by “disinterested persons” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, but the authority and validity of any act taken or not taken by the Committee shall not be affected if any person administering the Plan is not a disinterested person. Except as specifically reserved to the Board under the terms of the Plan, the Committee shall have full and final authority to operate, manage and administer the Plan on behalf of the Company. Action by the Committee shall require the affirmative vote of a majority of all members thereof.

2.2 Subject to the terms and conditions of the Plan, the Committee shall have the power:

(a) To determine from time to time the persons eligible to receive options and the options to be granted to such persons under the Plan and to prescribe the terms,

conditions, restrictions, if any, and provisions (which need not be identical) of each option granted under the Plan to such persons;

(b) To construe and interpret the Plan and options granted thereunder and to establish, amend, and revoke rules and regulations for administration of the Plan. In this connection, the Committee may correct any defect or supply any omission, or reconcile any inconsistency in the Plan, or in any option agreement, in the manner and to the extent it shall deem necessary or expedient to make the Plan fully effective. All decisions and determinations by the Committee in the exercise of this power shall be final and binding upon the Company and optionees;

(c) To make, in its sole discretion, any of the following changes to any outstanding option granted under the Plan: (i) to reduce the exercise price, (ii) to accelerate the vesting schedule or (iii) to extend the expiration date; and

(d) Generally, to exercise such powers and to perform such acts as are deemed necessary or expedient to promote the best interests of the Company with respect to the Plan.

SECTION 3. STOCK

3.1 The stock subject to the options granted under the Plan shall be shares of the Company's authorized but unissued common stock, or shares of the Company's common stock held in treasury,

5.01 par value (the "Common Stock"). The total number of shares that may be issued pursuant to options granted under the Plan shall not exceed an aggregate of 1,000,000 shares of Common Stock; provided, however, that the class and aggregate number of shares which may be subject to options granted under the Plan shall be subject to adjustment as provided in Section 8 hereof.

3.2 Whenever any outstanding option under the Plan expires, is cancelled or is otherwise terminated (other than by exercise), the shares of Common Stock allocable to the unexercised portion of such option may again be the subject of options under the Plan.

SECTION 4. ELIGIBILITY

4.1 Incentive Stock Options under the Plan may be granted only to executives and other key employees of the Company or its parent or subsidiaries. Nonqualified Options may be granted to officers or other key employees of the Company or its parent or subsidiaries, and to members of the Board and consultants or other persons who render services to the Company (regardless of whether they are also employees), provided, however, that no such option may be granted to a person who is a member of the Committee at the time of grant.

4.2 Except as may otherwise be permitted by the Code or other applicable law or regulation, no Incentive Stock Option shall be granted to an individual who, at the time the option is granted, owns (including ownership attributed pursuant to Section

425 of the Code) more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any parent or subsidiary (a "greater-than-ten-percent stockholder"), unless such Incentive Stock Option provides that (i) the purchase price per share shall not be less than one hundred ten percent (110%) of the fair market value of the Common Stock at the time such option is granted, and (ii) that such option shall not be exercisable to any extent after the expiration of five (5) years from the date it is granted.

4.3 The aggregate fair market value (determined at the time the option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under the Plan and any other plans of the Company or any parent or subsidiary for the issuance of incentive stock options) shall not exceed \$100,000 (or such greater amount as may from time to time be permitted with respect to incentive stock options by the Code or any other applicable law or regulation).

SECTION 5. TERMINATION OF EMPLOYMENT OR DEATH OF OPTIONEE

5.1 Except as may be otherwise expressly provided herein, options shall terminate on the earlier of:

(i) the date of expiration thereof,

(ii) the date of termination of the optionee's employment with or services to the Company by it for cause (as determined by the Company), or voluntarily by the optionee; or

(iii) ninety (90) days after the date of termination of the optionee's employment with or services to the Company by it without cause; provided, that Nonqualified Options granted to persons who are not employees of the Company need not, unless the Committee determines otherwise, be subject to the provisions set forth in clauses (ii) and (iii) above.

An employment relationship between the Company and the optionee shall be deemed to exist during any period in which the optionee is employed by the Company or its parent or any subsidiary. Whether authorized leave of absence, or absence on military or government service, shall constitute termination of the employment relationship between the Company and the optionee shall be determined by the Committee at the time thereof.

As used herein, "cause" shall mean (x) any material breach by the optionee of any agreement to which the optionee and the Company are both parties, (y) any act or omission to act by the optionee which may have a material and adverse effect on the Company's business or on the optionee's ability to perform services for the Company, including, without limitation, the commission of any crime (other than ordinary traffic violations), or (z) any material misconduct or material neglect of duties by the optionee in connection with the business or affairs of the Company or any affiliate of the Company.

5.2 In the event of the death or permanent and total disability of the holder of an option that is subject to clause (ii) or (iii) of Section 5.1 above prior to termination of the

optionee's employment with or services to the Company and before the date of expiration of such option, such option shall terminate on the earlier of such date of expiration or two years following the date of such death or disability. After the death of the optionee, his/her executors, administrators or any person or persons to whom his/her option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to such termination, to exercise the option to the extent the optionee was entitled to exercise such option immediately prior to his/her death. An optionee is permanently and totally disabled if he/she is unable to engage in any gainful activity by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than 12 months; permanent and total disability shall be determined in accordance with Section 22(e)(3) of the Code and the regulations issued thereunder.

SECTION 6. TERMS OF THE OPTION AGREEMENTS

Each option agreement shall be in writing and shall contain such terms, conditions, restrictions, if any, and provisions as the Committee shall from time to time deem appropriate. Such provisions or conditions may include without limitation restrictions on transfer, repurchase rights, or such other provisions as shall be determined by the Committee; provided that such additional provisions shall not be inconsistent with any other term or condition of the Plan and such additional

provisions shall not cause any Incentive Stock Option granted under the Plan to fail to qualify as an incentive option within the meaning of Section 422 of the Code. The shares of stock issuable upon exercise of an option by any executive officer, director or beneficial owner of more than ten percent of the Common Stock of the Company may not be sold or transferred except that such shares may be issued upon exercise of such option) by such officer, director or beneficial owner for a period of six months following the grant of such option.

Option agreements need not be identical, but each option agreement by appropriate language shall include the substance of all of the following provisions:

6.1 Expiration. Notwithstanding any other provision of the Plan or of any option agreement, each option shall expire on the date specified in the option agreement, which date shall not, in the case of an Incentive Stock Option, be later than the tenth anniversary (fifth anniversary in the case of a greater-than-ten-percent stockholder) of the date on which the option was granted, or as specified in Section 5 of this Plan.

6.2 Exercise. Each option may be exercised, so long as it is valid and outstanding, from time to time in part or as a whole, subject to any limitations with respect to the number of shares for which the option may be exercised at a particular time and to such other conditions as the Committee in its discretion may specify upon granting the option.

6.3 Purchase Price. The purchase price per share under

each option shall be determined by the Committee at the time the option is granted; provided, however, that the option price of any Incentive Stock Option shall not, unless otherwise permitted by the Code or other applicable law or regulation, be less than the fair market value of the Common Stock on the date the option is granted (110% of the fair market value in the case of a greater-than-ten-percent stockholder). For the purpose of the Plan the fair market value of the Common Stock shall be the closing price per share on the date of grant of the option as reported by a nationally recognized stock exchange, or, if the Common Stock is not listed on such an exchange, as reported by NASDAQ, or, if the Common Stock is not quoted on NASDAQ, the fair market value as determined by the Committee.

6.4 Transferability of Options. Options shall not be transferable by the optionee otherwise than by will or under the laws of descent and distribution, and shall be exercisable, during his or her lifetime, only by him or her.

6.5 Rights of Optionees. No optionee shall be deemed for any purpose to be the owner of any shares of Common Stock subject to any option unless and until the option shall have been exercised pursuant to the terms thereof, and the Company shall have issued and delivered the shares to the optionee.

6.6 Repurchase Right. The Committee may in its discretion provide upon the grant of any option hereunder that the Company shall have an option to repurchase upon such terms and conditions as determined by the Committee all or any number of shares

purchased upon exercise of such option. The repurchase price per share payable by the Company shall be such amount or be determined by such formula as is fixed by the Committee at the time the option for the shares subject to repurchase is granted. In the event the Committee shall grant options subject to the Company's repurchase option, the certificates representing the shares purchased pursuant to such option shall carry a legend satisfactory to counsel for the Company referring to the Company's repurchase option.

SECTION 7. METHOD OF EXERCISE; PAYMENT OF PURCHASE PRICE

7.1 Any option granted under the Plan may be exercised by the optionee by delivering to the Company on any business day a written notice specifying the number of shares of Common Stock the optionee then desires to purchase and specifying the address to which the certificates for such shares are to be mailed (the "Notice"), accompanied by payment for such shares.

7.2 Payment for the shares of Common Stock purchased pursuant to the exercise of an option shall be made either by (i) cash, certified check, bank draft or postal or express money order equal to the option price for the number of shares specified in the Notice, or (ii) with the consent of the Committee, shares of Common Stock of the Company having a fair market value equal to the option price of such shares, or (iii) with the consent of the Committee, such other consideration which is acceptable to the Committee and which has a fair market

value equal to the option price of such shares, or (iv) with the consent of the Committee, a combination of (i), (ii) and/or (iii). For the purpose of the preceding sentence, the fair market value per share of Common Stock so delivered to the Company shall be determined in the manner specified in Section 6.3. As promptly as practicable after receipt of the Notice and accompanying payment, the Company shall deliver to the optionee certificates for the number of shares with respect to which such option has been so exercised, issued in the optionee's name; provided, however, that such delivery shall be deemed effected for all purposes when the Company or a stock transfer agent of the Company shall have deposited such certificates in the United States mail, addressed to the optionee, at the address specified in the Notice.

SECTION 8. CHANGES IN COMPANY'S CAPITAL STRUCTURE

8.1 Rights of Company. The existence of outstanding options shall not affect in any way the right or power of the Company or its stockholders to make or authorize, without limitation, any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of Common Stock, or any issue of bonds, debentures, preferred or prior preference stock or other capital stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any

sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

8.2 Recapitalization, Stock Splits and Dividends . If the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the Common Stock outstanding, in any such case without receiving compensation therefor in money, services or property, then (i) the number, class, and price per share of shares of stock subject to outstanding options hereunder shall be appropriately adjusted in such a manner as to entitle an optionee to receive upon exercise of an option, for the same aggregate cash consideration, the same total number and class of shares as he or she would have received as a result of the event requiring the adjustment had he or she exercised his or her option in full immediately prior to such event; and (ii) the number and class of shares with respect to which options may be granted under the Plan shall be adjusted by substituting for the total number of shares of Common Stock then reserved for issuance under the Plan that number and class of shares of stock that the owner of an equal number of outstanding shares of Common Stock would own as the result of the event requiring the adjustment.

8.3 Merger without Change of Control . After a merger of one or more corporations into the Company, or after a consolidation of the Company and one or more corporations in

which (i) the Company shall be the surviving corporation, and (ii) the stockholders of the Company immediately prior to such merger or consolidation own after such merger or consolidation shares representing at least fifty percent (50%) of the voting power of the Company, each holder of an outstanding option shall, at no additional cost, be entitled upon exercise of such option to receive in lieu of the number of shares as to which such option shall then be so exercisable, the number and class of shares of stock or other securities to which such holder would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, such holder had been the holder of record of a number of shares of Common Stock equal to the number of shares for which such option was exercisable.

8.4 Sale or Merger with Change of Control. If the Company is merged into or consolidated with another corporation under circumstances where the Company is not the surviving corporation, or if there is a merger or consolidation where the Company is the surviving corporation but the stockholders of the Company immediately prior to such merger or consolidation do not own after such merger or consolidation shares representing at least fifty percent (50%) of the voting power of the Company, or if the Company is liquidated, or sells or otherwise disposes of substantially all of its assets to another corporation while unexercised options remain outstanding under the Plan, (i) subject to the provisions of clause (iii) below, after the

effective date of such merger, consolidation, liquidation, sale or disposition, as the case may be, each holder of an outstanding option shall be entitled, upon exercise of such option, to receive, in lieu of shares of Common Stock, shares of such stock or other securities, cash or property as the holders of shares of Common Stock received pursuant to the terms of the merger, consolidation, liquidation, sale or disposition; (ii) the Committee may accelerate the time for exercise of all unexercised and unexpired options to and after a date prior to the effective date of such merger, consolidation, liquidation, sale or disposition, as the case may be, specified by the Committee; or (iii) all outstanding options may be cancelled by the Committee as of the effective date of any such merger, consolidation, liquidation, sale or disposition provided that (x) notice of such cancellation shall be given to each holder of an option and (y) each holder of an option shall have the right to exercise such option to the extent that the same is then exercisable or, if the Committee shall have accelerated the time for exercise of all unexercised and unexpired options, in full during the 30-day period preceding the effective date of such merger, consolidation, liquidation, sale or disposition.

8.5 Adjustments to Common Stock Subject to Options . Except as hereinbefore expressly provided, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of

rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock then subject to outstanding options.

8.6 Miscellaneous. Adjustments under this Section 8 shall be determined by the Committee, and such determinations shall be conclusive. No fractional shares of Common Stock shall be issued under the Plan on account of any adjustment specified above.

SECTION 9. GENERAL RESTRICTIONS

9.1 Investment Representations. The Company may require any person to whom an option is granted, as a condition of exercising such option, to give written assurances in substance and form satisfactory to the Company to the effect that such person is acquiring the Common Stock subject to the option for his or her own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

9.2 Compliance with Securities Laws. The Company shall not be required to sell or issue any shares under any option if the issuance of such shares shall constitute a violation by the optionee or by the Company of any provisions of any law or regulation of any governmental authority. In addition, in

connection with the Securities Act of 1933, as now in effect or hereafter amended (the “Act”), upon exercise of any option, the Company shall not be required to issue such shares unless the Committee has received evidence satisfactory to it to the effect that the holder of such option will not transfer such shares except pursuant to a registration statement in effect under such Act or unless an opinion of counsel satisfactory to the Company has been received by the Company to the effect that such registration is not required. Any determination in this connection by the Committee shall be final, binding and conclusive. In the event the shares issuable on exercise of an option are not registered under the Act, the Company may imprint upon any certificate representing shares so issued the following legend or any other legend which counsel for the Company considers necessary or advisable to comply with the Act and with applicable state securities laws:

The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any State and may not be sold or transferred except upon such registration or upon receipt by the Corporation of an opinion of counsel satisfactory to the Corporation, in form and substance satisfactory to the Corporation, that registration is not required for such sale or transfer.

The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Act; and in the event any shares are so registered the Company may remove any legend on certificates representing such shares. The Company shall not be obligated to take any other affirmative action in

order to cause the exercise of an option or the issuance of shares pursuant thereto to comply with any law or regulation of any governmental authority.

9.3 Employment Obligation. The granting of any option shall not impose upon the Company any obligation to employ or continue to employ any optionee; and the right of the Company to terminate the employment of any officer or other employee shall not be diminished or affected by reason of the fact that an option has been granted to him or her.

SECTION 10. AMENDMENT OR TERMINATION OF THE PLAN

The Board of Directors may modify, revise or terminate this Plan at any time and from time to time, except that the class of persons eligible to receive options and the aggregate number of shares issuable pursuant to this Plan shall not be changed or increased, other than by operation of Section 8 hereof, without the consent of the stockholders of the Company.

SECTION 11. NONEXCLUSIVITY OF THE PLAN

Neither the adoption of the Plan by the Board of Directors nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board of Directors to adopt such other incentive arrangements as it may deem desirable, including, without

limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

SECTION 12. EFFECTIVE DATE AND DURATION OF PLAN

The Plan shall become effective upon its adoption by the Board of Directors provided that the stockholders of the Company shall have approved the Plan within twelve (12) months prior to or following the adoption of the Plan by the Board. The Plan shall terminate (i) when the total amount of the Stock with respect to which options may be granted shall have been issued upon the exercise of options or (ii) by action of the Board of Directors pursuant to Section 10 hereof, whichever shall first occur.

* * * * *

PROGRESS SOFTWARE CORPORATION
1994
STOCK INCENTIVE PLAN

SECTION 1. *General Purpose of the Plan; Definitions*

The name of the plan is the Progress Software Corporation 1994 Stock Incentive Plan (the "Plan"). The purpose of the Plan is to encourage and enable the officers, employees and directors of, and other persons providing services to, Progress Software Corporation (the "Company") and its Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

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

"Award" or "Awards", except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Conditioned Stock Awards, Unrestricted Stock Awards, Performance Share Awards and Stock Appreciation Rights.

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

"Cause" means (i) any material breach by the participant of any agreement to which the participant and the Company are both parties, (ii) any act or omission to act by the participant which may have a material and adverse effect on the Company's business or on the participant's ability to perform services for the Company, including, without limitation, the commission of any crime (other than ordinary traffic violations), or (iii) any material misconduct or material neglect of duties by the participant in connection with the business or affairs of the Company or any affiliate of the Company.

"Change of Control" shall have the meaning set forth in Section 15.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

"Conditioned Stock Award" means an Award granted pursuant to Section 6.

"Committee" shall have the meaning set forth in Section 2.

"Disability" means disability as set forth in Section 22(e)(3) of the Code.

"Effective Date" means the date on which the Plan is approved by stockholders as set forth in Section 17.

"Eligible Person" shall have the meaning set forth in Section 4.

"Fair Market Value" on any given date means the closing price per share of the Stock on such date as reported by a nationally recognized stock exchange, or, if the Stock is not listed on such an exchange, as reported by NASDAQ, or, if the Stock is not quoted on NASDAQ, the fair market value of the Stock as determined by the Committee.

"Incentive Stock Option" means any Stock Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

“Non-Qualified Stock Option” means any Stock Option that is not an Incentive Stock Option.

“Normal Retirement” means retirement from active employment with the Company and its Subsidiaries in accordance with the retirement policies of the Company and its Subsidiaries then in effect.

“Outside Director” means any director who (i) is not an employee of the Company or of any “affiliated group,” as such term is defined in Section 1504(a) of the Code, which includes the Company (an “Affiliate”), (ii) is not a former employee of the Company or any Affiliate who is receiving compensation for prior services (other than benefits under a tax-qualified retirement plan) during the Company’s or any Affiliate’s taxable year, (iii) has not been an officer of the Company or any Affiliate and (iv) does not receive remuneration from the Company or any Affiliate, either directly or indirectly, in any capacity other than as a director.

“Option” or “Stock Option” means any option to purchase shares of Stock granted pursuant to Section 5.

“Performance Share Award” means an Award granted pursuant to Section 8.

“Stock” means the Common Stock, \$.01 par value per share, of the Company, subject to adjustments pursuant to Section 3.

“Stock Appreciation Right” means an Award granted pursuant to Section 9.

“Subsidiary” means a subsidiary as set forth in Section 424 of the Code.

“Unrestricted Stock Award” means Awards granted pursuant to Section 7.

SECTION 2. Administration of Plan; Committee Authority to Select Participants and Determine Awards.

(a) *Committee.* The Plan shall be administered by a Committee (the “Committee”) consisting of at least two Outside Directors. None of the members of the Committee shall have been granted any Award under this Plan (other than pursuant to Section 7(c)) or any other stock option plan of the Company (other than the Company’s 1994 Directors’ Stock Option Plan) within one year prior to service on the Committee. It is the intention of the Company that the Plan shall be administered by “disinterested persons” within the meaning of Rule 16b-3 under the Act, but the authority and validity of any act taken or not taken by the Committee shall not be affected if any person administering the Plan is not a disinterested person. Except as specifically reserved to the Board under the terms of the Plan, the Committee shall have full and final authority to operate, manage and administer the Plan on behalf of the Company. Action by the Committee shall require the affirmative vote of a majority of all members thereof.

(b) *Powers of Committee.* The Committee shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the officers and other employees of, and persons providing services to, the Company and its Subsidiaries to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Conditioned Stock, Unrestricted Stock, Performance Shares and Stock Appreciation Rights, or any combination of the foregoing, granted to any one or more participants;

(iii) to determine the number of shares to be covered by any Award;

(iv) to determine and modify the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and participants, and to approve the form of written instruments evidencing the Awards;

(v) to accelerate the exercisability or vesting of all or any portion of any Award;

(vi) subject to the provisions of Section 5(a)(ii), to extend the period in which any outstanding Stock Option or Stock Appreciation Right may be exercised;

(vii) to reduce the per-share exercise price of any outstanding Stock Option or Stock Appreciation Right (but not to less than 85% of Fair Market Value on the date the reduction is made);

(viii) to determine whether, to what extent, and under what circumstances Stock and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the participant and whether and to what extent the Company shall pay or credit amounts equal to interest (at rates determined by the Committee) or dividends or deemed dividends on such deferrals; and

(ix) to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Committee shall be binding on all persons, including the Company and Plan participants.

SECTION 3. *Shares Issuable under the Plan; Mergers; Substitution.*

(a) *Shares Issuable.* The maximum number of shares of Stock with respect to which Awards (including Stock Appreciation Rights) may be granted under the Plan shall be 1,000,000. For purposes of this limitation, the shares of Stock underlying any Awards which are forfeited, cancelled, reacquired by the Company or otherwise terminated (other than by exercise) shall be added back to the shares of Stock with respect to which Awards may be granted under the Plan so long as the participants to whom such Awards had been previously granted received no benefits of ownership of the underlying shares of Stock to which the Award related. Subject to such overall limitation, any type or types of Award may be granted with respect to shares, including Incentive Stock Options. Shares issued under the Plan may be authorized but unissued shares or shares reacquired by the Company.

(b) *Limitation on Awards.* In no event may any Plan participant be granted Awards (including Stock Appreciation Rights) with respect to more than 100,000 shares of Stock in any calendar year. The number of shares of Stock relating to an Award granted to a Plan participant in a calendar year that is subsequently forfeited, cancelled or otherwise terminated shall continue to count toward the foregoing limitation in such calendar year. In addition, if the exercise price of an Award is subsequently reduced, the transaction shall be deemed a cancellation of the original Award and the grant of a new one so that both transactions shall count toward the maximum shares issuable in the calendar year of each respective transaction.

(c) *Stock Dividends, Mergers, etc.* In the event that after approval of the Plan by the stockholders of the Company in accordance with Section 17, the Company effects a stock dividend, stock split or similar change in capitalization affecting the Stock, the Committee shall make appropriate adjustments in (i) the number and kind of shares of stock or securities with respect to which Awards may thereafter be granted (including without limitation the limitations set forth in Sections 3(a) and (b) above), (ii) the number and kind of shares remaining subject to outstanding Awards, and (iii) the option or purchase price in respect of such shares. In the event of any merger, consolidation, dissolution or liquidation of the Company, the Committee in its sole discretion may, as to any outstanding Awards, make such substitution or adjustment in the aggregate number of shares reserved for issuance under the Plan and in the number and purchase price (if any) of shares subject to such Awards as it may determine and as may be permitted by the terms of such

transaction, or accelerate, amend or terminate such Awards upon such terms and conditions as it shall provide (which, in the case of the termination of the vested portion of any Award, shall require payment or other consideration which the Committee deems equitable in the circumstances), subject, however, to the provisions of Section 1.5.

(d) *Substitute Awards.* The Committee may grant Awards under the Plan in substitution for stock and stock based awards held by employees of another corporation who concurrently become employees of the Company or a Subsidiary as the result of a merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances. The shares which may be delivered under such substitute awards shall be in addition to the maximum number of shares provided for in Section 3(a) only to the extent that the substitute Awards are both (i) granted to persons whose relationship to the Company does not make (and is not expected to make) them subject to Section 16(b) of the Act; and (ii) granted in substitution for awards issued under a plan approved, to the extent then required under Rule 16b-3 (or any successor rule under the Act), by the stockholders of the entity which issued such predecessor awards.

SECTION 4. Eligibility.

Awards may be granted to officers or other key employees of the Company or its Subsidiaries, and to members of the Board and consultants or other persons who render services to the Company, regardless of whether they are also employees (“Eligible Persons”), provided, however, that members of the Committee at the time of grant, except for the purposes of Section 7(c), shall not constitute Eligible Persons.

SECTION 5. Stock Options.

Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. To the extent that any option does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option.

No Incentive Stock Option shall be granted under the Plan after December 31, 2003.

(a) *Grant of Stock Options.* The Committee in its discretion may grant Incentive Stock Options only to employees of the Company or any Subsidiary. The Committee in its discretion may grant Non-Qualified Stock Options to Eligible Persons. Stock Options granted pursuant to this Section 5 (a) shall be subject to the following terms and conditions and the terms and conditions of Section 13 and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable.

(i) *Exercise Price.* The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 (a) shall be determined by the Committee at the time of grant but shall be, in the case of Incentive Stock Options, not less than 100% of Fair Market Value on the date of grant. If an employee owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation and an Incentive Stock Option is granted to such employee, the option price shall be not less than 110% of Fair Market Value on the grant date.

(ii) *Option Term.* The term of each Stock Option shall be fixed by the Committee, but no Incentive Stock Option shall be exercisable more than ten years after the date the option is granted. If an

employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation and an Incentive Stock Option is granted to such employee, the term of such option shall be no more than five years from the date of grant.

(iii) *Exercisability; Rights of a Shareholder.* Stock Options shall become vested and exercisable at such time or times, whether or not in installments, as shall be determined by the Committee at or after the grant date. The Committee may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a shareholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(iv) *Method of Exercise.* Stock Options may be exercised in whole or in part, by delivering written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods:

(A) In cash, by certified or bank check or other instrument acceptable to the Committee;

(B) In the form of shares of Stock that are not then subject to restrictions under any Company plan, if permitted by the Committee, in its discretion. Such surrendered shares shall be valued at Fair Market Value on the exercise date; or

(C) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Committee shall prescribe as a condition of such payment procedure. Payment instruments will be received subject to collection.

The delivery of certificates representing shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the Optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Stock Option or applicable provisions of laws.

(v) *Non-transferability of Options.* No Stock Option shall be transferable other than by will or by the laws of descent and distribution and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee.

(vi) *Annual Limit on Incentive Stock Options.* To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Stock with respect to which incentive stock options granted under this Plan and any other plan of the Company or its Subsidiaries become exercisable for the first time by an optionee during any calendar year shall not exceed \$100,000.

(vii) *Repurchase Right.* The Committee may in its discretion provide upon the grant of any Stock Option hereunder that the Company shall have an option to repurchase upon such terms and conditions as determined by the Committee all or any number of shares purchased upon exercise of such Stock Option. The repurchase price per share payable by the Company shall be such amount or be determined by such formula as is fixed by the Committee at the time the Option for the shares subject to repurchase is granted. In the event the Committee shall grant Stock Options subject to the Company's repurchase

option, the certificates representing the shares purchased pursuant to such Options shall carry a legend satisfactory to counsel for the Company referring to the Company's repurchase option.

(viii) *Form of Settlement.* Shares of Stock issued upon exercise of a Stock Option shall be free of all restrictions under the Plan, except as otherwise provided in this Plan.

(b) *Reload Options.* At the discretion of the Committee, Options granted under Section 5(a) may include a so-called "reload" feature pursuant to which an optionee exercising an option by the delivery of a number of shares of Stock in accordance with Section 5 (a) (iv) (B) hereof would automatically be granted an additional Option (with an exercise price equal to the Fair Market Value of the Stock on the date the additional Option is granted and with the same expiration date as the original Option being exercised, and with such other terms as the Committee may provide) to purchase that number of shares of Stock equal to the number delivered to exercise the original Option.

SECTION 6. *Conditioned Stock Awards.*

(a) *Nature of Conditioned Stock Award.* The Committee in its discretion may grant Conditioned Stock Awards to any Eligible Person. A Conditioned Stock Award is an Award entitling the recipient to acquire, at no cost or for a purchase price determined by the Committee, shares of Stock subject to such restrictions and conditions as the Committee may determine at the time of grant ("Conditioned Stock"). Conditions may be based on continuing employment and/or achievement of pre-established performance goals and objectives. In addition, a Conditioned Stock Award may be granted to an employee by the Committee in lieu of a cash bonus due to such employee pursuant to any other plan of the Company.

(b) *Acceptance of Award.* A participant who is granted a Conditioned Stock Award shall have no rights with respect to such Award unless the participant shall have accepted the Award within 60 days (or such shorter date as the Committee may specify) following the award date by making payment to the Company, if required, by certified or bank check or other instrument or form of payment acceptable to the Committee in an amount equal to the specified purchase price, if any, of the shares covered by the Award and by executing and delivering to the Company a written instrument that sets forth the terms and conditions of the Conditioned Stock in such form as the Committee shall determine.

(c) *Rights as a Shareholder.* Upon complying with Section 6(b) above, a participant shall have all the rights of a shareholder with respect to the Conditioned Stock, including voting and dividend rights, subject to non-transferability restrictions and Company repurchase or forfeiture rights described in this Section 6 and subject to such other conditions contained in the written instrument evidencing the Conditioned Award. Unless the Committee shall otherwise determine, certificates evidencing shares of Conditioned Stock shall remain in the possession of the Company until such shares are vested as provided in Section 6(e) below.

(d) *Restrictions.* Shares of Conditioned Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein. In the event of termination of employment by the Company and its Subsidiaries for any reason (including death, Disability, Normal Retirement and for Cause), the Company shall have the right, at the discretion of the Committee, to repurchase shares of Conditioned Stock with respect to which conditions have not lapsed at their purchase price, or to require forfeiture of such shares to the Company if acquired at no cost, from the participant or the participant's legal representative. The Company must exercise such right of repurchase or forfeiture not later than the ninetieth day following such termination of employment (unless otherwise specified, in the written instrument evidencing the Conditioned Award).

(e) *Vesting of Conditioned Stock.* The Committee at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the

non-transferability of the Conditioned Stock and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such preestablished performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Conditioned Stock and shall be deemed "vested." The Committee at any time may accelerate such date or dates and otherwise waive or, subject to Section 13, amend any conditions of the Award.

(f) *Waiver, Deferral and Reinvestment of Dividends.* The written instrument evidencing the Conditioned Stock Award may require or permit the immediate payment, waiver, deferral or investment of dividends paid on the Restricted Stock.

SECTION 7. Unrestricted Stock Awards.

(a) *Grant or Sale of Unrestricted Stock.* The Committee in its discretion may grant or sell at a purchase price determined by the Committee to any Eligible Person shares of Stock free of any restrictions under the Plan ("Unrestricted Stock"). Shares of Unrestricted Stock may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration.

(b) *Elections to Receive Unrestricted Stock In Lieu of Compensation.* Upon the request of an Eligible Person and with the consent of the Committee, each Eligible Person may, pursuant to an irrevocable written election delivered to the Company no later than the date or dates specified by the Committee, receive a portion of the cash compensation otherwise due to him in Unrestricted Stock (valued at Fair Market Value on the date or dates the cash compensation would otherwise be paid). Such Unrestricted Stock may be paid to the Eligible Person at the same time as the cash compensation would otherwise be paid, or at a later time, as specified by the Eligible Person in the written election.

(c) *Elections to Receive Unrestricted Stock in Lieu of Directors' Fees.* Each Outside Director may, pursuant to an irrevocable written election delivered to the Company no later than June 30 of any calendar year, receive all or a portion of the directors' fees otherwise due to him in the subsequent calendar year in Unrestricted Stock (valued at Fair Market Value on the date or dates the directors' fees would otherwise be paid). Such Unrestricted Stock may be paid to the Non-Employee Director at the same time the directors' fees would otherwise have been paid, or at a later time, as specified by the Non-Employee Director in the written election.

(d) *Restrictions on Transfers.* The right to receive unrestricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution.

SECTION 8. Performance Share Awards.

(a) *Nature of Performance Shares.* A Performance Share Award is an award entitling the recipient to acquire shares of Stock upon the attainment of specified performance goals. The Committee may make Performance Share Awards independent of or in connection with the granting of any other Award under the Plan. Performance Share Awards may be granted under the Plan to any Eligible Person including those who qualify for awards under other performance plans of the Company. The Committee in its discretion shall determine whether and to whom Performance Share Awards shall be made, the performance goals applicable under each such Award, the periods during which performance is to be measured, and all other limitations and conditions applicable to the awarded Performance Shares; provided, however, that the Committee may rely on the performance goals and other standards applicable to other performance-based plans of the Company in setting the standards for Performance Share Awards under the Plan,

(b) *Restrictions on Transfer.* Performance Share Awards and all rights with respect to such Awards may not be sold, assigned, transferred, pledged or otherwise encumbered.

(c) *Rights as a Shareholder.* A participant receiving a Performance Share Award shall have the rights of a shareholder only as to shares actually received by the participant under the Plan and not with respect to shares subject to the Award but not actually received by the participant. A participant shall be entitled to receive a stock certificate evidencing the acquisition of shares of Stock under a Performance Share Award only upon satisfaction of all conditions specified in the written instrument evidencing the Performance Share Award (or in a performance plan adopted by the Committee).

(d) *Termination.* Except as may otherwise be provided by the Committee at any time prior to termination of employment, a participant's rights in all Performance Share Awards shall automatically terminate upon the participant's termination of employment by the Company and its Subsidiaries for any reason (including death, Disability, Normal Retirement and for Cause).

(e) *Acceleration, Waiver, Etc.* At any time prior to the participant's termination of employment by the Company and its Subsidiaries, the Committee may in its sole discretion accelerate, waive or, subject to Section 13, amend any or all of the goals, restrictions or conditions imposed under any Performance Share Award.

SECTION 9. Stock Appreciation Rights

(a) The Committee in its discretion may grant Stock Appreciation Rights to any Eligible Person (i) alone, (ii) simultaneously with the grant of a Stock Option and in conjunction therewith or in the alternative thereto or (iii) subsequent to the grant of a Non-Qualified option and in conjunction therewith or in the alternative thereto.

(b) The exercise price per share of a Stock Appreciation Right granted alone shall be determined by the Committee. A Stock Appreciation Right granted simultaneously with or subsequent to the grant of a Stock Option and in conjunction therewith or in the alternative thereto shall have the same exercise price as the related Stock Option, shall be transferable only upon the same terms and conditions as the related Stock Option, and shall be exercisable only to the same extent as the related Stock Option; provided, however, that a Stock Appreciation Right, by its terms, shall be exercisable only when the Fair Market Value per share of Stock exceeds the exercise price per share thereof.

(c) Upon any exercise of a Stock Appreciation Right, the number of shares of Stock for which any related Stock Option shall be exercisable shall be reduced by the number of shares for which the Stock Appreciation Right shall have been exercised. The number of shares of Stock with respect to which a Stock Appreciation Right shall be exercisable shall be reduced upon any exercise of any related Stock Option by the number of shares for which such Option shall have been exercised. Any Stock Appreciation Right shall be exercisable upon such additional terms and conditions as may from time to time be prescribed by the Committee.

(d) A Stock Appreciation Right shall entitle the participant upon exercise thereof to receive from the Company, upon written request to the Company at its principal offices (the "Request"), a number of shares of Stock (with or without restrictions as to substantial risk of forfeiture and transferability, as determined by the Committee in its sole discretion), an amount of cash, or any combination of Stock and cash, as specified in the Request (but subject to the approval of the Committee in its sole discretion, at any time up to and including the time of payment, as to the making of any cash payment), having an aggregate Fair Market Value equal to the product of (i) the excess of Fair Market Value, on the date of such Request, over the exercise price per share of Stock specified in such Stock Appreciation Right or its related Option, multiplied by (ii) the number of shares of Stock for which such Stock Appreciation Right shall be exercised. Notwithstanding the foregoing,

the Committee may specify at the time of grant of any Stock Appreciation Right that such Stock Appreciation Right may be exercisable solely for cash and not for Stock.

(e) Within thirty (30) days of the receipt by the Company of a Request to receive cash in full or partial settlement of a Stock Appreciation Right or to exercise such Stock Appreciation Right for cash, the Committee shall, in its sole discretion, either consent to or disapprove, in whole or in part, such Request. A Request to receive cash in full or partial settlement of a Stock Appreciation Right or to exercise a Stock Appreciation Right for cash may provide that, in the event the Committee shall disapprove such Request, such Request shall be deemed to be an exercise of such Stock Appreciation Right for Stock.

(f) If the Committee disapproves in whole or in part any election by a participant to receive cash in full or partial settlement of a Stock Appreciation Right or to exercise such Stock Appreciation Right for cash, such disapproval shall not affect such participant's right to exercise such Stock Appreciation Right at a later date, to the extent that such Stock Appreciation Right shall be otherwise exercisable, or to elect the form of payment at a later date, provided that an election to receive cash upon such later exercise shall be subject to the approval of the Committee. Additionally, such disapproval shall not affect such participant's right to exercise any related Option.

(g) A participant shall not be entitled to request or receive cash in full or partial payment of a Stock Appreciation Right, if such Stock Appreciation Right or any related Option shall have been exercised during the first six (6) months of its respective term; provided, however, that such prohibition shall not apply in the event of the death or Disability of the participant prior to the expiration of such six-month period, or if such participant is not a director or officer of the Company or a beneficial owner of the Company who is described in Section 16(a) of the Act.

(h) A Stock Appreciation Right shall be deemed exercised on the last day of its term, if not otherwise exercised by the holder thereof, provided that the fair market value of the Stock subject to the Stock Appreciation Right exceeds the exercise price thereof on such date.

(i) No Stock Appreciation Right shall be transferable other than by will or by the laws of descent and distribution and all Stock Appreciation Rights shall be exercisable, during the holder's lifetime, only by the holder.

SECTION 10. *Termination of Stock Options and Stock Appreciation Rights.*

(a) *Termination by Death.* If any participant's employment by or services to the Company and its Subsidiaries terminates by reason of death, any Stock Option or Stock Appreciation Right owned by such participant may thereafter be exercised to the extent exercisable at the date of death, by the legal representative or legatee of the participant, for a period of two years (or such longer period as the Committee shall specify at any time) from the date of death, or until the expiration of the stated term of the Option or Stock Appreciation Right, if earlier.

(b) *Termination by Reason of Disability or Normal Retirement.*

(i) Any Stock Option or Stock Appreciation Right held by a participant whose employment by or services to the Company and its Subsidiaries has terminated by reason of Disability may thereafter be exercised, to the extent it was exercisable at the time of such termination, for a period of one year (or such longer period as the Committee shall specify at any time) from the date of such termination of employment or services, or until the expiration of the stated term of the Option or Stock Appreciation Right, if earlier.

(ii) Any Stock Option or Stock Appreciation Right held by a participant whose employment by or services to the Company and its Subsidiaries has terminated by reason of Normal Retirement may thereafter be exercised, to the extent it was exercisable at the time of such termination, for a period of 90 days (or such longer period as the Committee shall specify at any time) from the date of such termination of employment or services, or until the expiration of the stated term of the Option or Stock Appreciation Right, if earlier.

(iii) The Committee shall have sole authority and discretion to determine whether a participant's employment or services has been terminated by reason of Disability or Normal Retirement.

(iv) Except as otherwise provided by the Committee at the time of grant, the death of a participant during a period provided in this Section 10(b) for the exercise of a Stock Option or Stock Appreciation Right, shall extend such period for two years from the date of death, subject to termination on the expiration of the stated term of the Option or Stock Appreciation Right, if earlier.

(c) *Termination for Cause.* If any participant's employment by or services to the Company and its Subsidiaries has been terminated for Cause, any Stock Option or Stock Appreciation Right held by such participant shall immediately terminate and be of no further force and effect; provided, however, that the Committee may, in its sole discretion, provide that such Option or Stock Appreciation Right can be exercised for a period of up to 30 days from the date of termination of employment or services or until the expiration of the stated term of the Option or Stock Appreciation Right, if earlier.

(d) *Other Termination.* Unless otherwise determined by the Committee, if a participant's employment by or services to the Company and its Subsidiaries terminates for any reason other than death, Disability, Normal Retirement or for Cause, any Stock Option or Stock Appreciation Right held by such participant may thereafter be exercised, to the extent it was exercisable on the date of termination of employment, for 90 days (or such longer period as the Committee shall specify at any time) from the date of termination of employment or services or until the expiration of the stated term of the Option or Stock Appreciation Right, if earlier.

SECTION 11. Tax Withholding.

(a) *Payment by Participant.* Each participant shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the participant for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Committee regarding payment of any Federal, state or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(b) *Payment in Shares.* Participant may elect to have such tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to an Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due with respect to such Award, or (ii) transferring to the Company shares of Stock owned by the participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due. With respect to any participant who is subject to Section 16 of the Act, the following additional restrictions shall apply:

(A) the election to satisfy tax withholding obligations relating to an Award in the manner permitted by this Section 11 (b) shall be made either (1) during the period beginning on the third business day following the date of release of quarterly or annual summary statements of sales and earnings of the Company and ending on the twelfth business day following such date, or (2) at least six months prior to

the date as of which the receipt of such an Award first becomes a taxable event for Federal income tax purposes;

(B) such election shall be irrevocable;

(C) such election shall be subject to the consent or approval of the Committee; and

(D) the Stock withheld to satisfy tax withholding, if granted at the discretion of the Committee, must pertain to an Award which has been held by the participant for at least six months from the date of grant of the Award.

SECTION 12. *Transfer, Leave of Absence, Etc.*

For purposes of the Plan, the following events shall not be deemed a termination of employment:

(a) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another;

(b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Committee otherwise so provides in writing.

SECTION 13. *Amendments and Termination.*

The Board may at any time amend or discontinue the Plan and the Committee may at any time amend or cancel any outstanding Award (or provide substitute Awards at the same or reduced exercise or purchase price or with no exercise or purchase price, but such price, if any, must satisfy the requirements which would apply to the substitute or amended Award if it were then initially granted under this Plan) for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. However, no such amendment, unless approved by the stockholders of the Company, shall be effective if it would cause the Plan to fail to satisfy the incentive stock option requirements of the Code, or cause transactions under the Plan to fail to satisfy the requirements of Rule 16b-3 or any successor rule under the Act as in effect on the date of such amendment, or to cause any member of the Committee to cease to be a disinterested person (within the meaning of Rule 16b-3 under the Act) with respect to this Plan or any other plan of the Company.

SECTION 14. *Status of Plan.*

With respect to the portion of any Award which has not been exercised and any payments in cash, Stock or other consideration not received by a participant, a participant shall have no rights greater than those of a general creditor of the Company unless the Committee shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the provision of the foregoing sentence.

SECTION 15. *Change of Control Provisions.*

(a) Upon the occurrence of a Change of Control as defined in this Section 15:

(i) subject to the provisions of clause (iii) below, after the effective date of such Change of Control, each holder of an outstanding Stock Option, Conditional Stock Award, Performance Share Award or Stock Appreciation Right shall be entitled, upon exercise of such Award, to receive, in lieu of shares of

Stock (or consideration based upon the Fair Market Value of Stock), shares of such stock or other securities, cash or property (or consideration based upon shares of such stock or other securities, cash or property) as the holders of shares of Stock received in connection with the Change of Control;

(ii) the Committee may accelerate the time for exercise of, and waive all conditions and restrictions on, each unexercised and unexpired Stock Option, Conditional Stock Award, Performance Share Award and Stock Appreciation Right effective upon a date prior or subsequent to the effective date of such Change of Control, specified by the Committee; or

(iii) each outstanding Stock Option, Conditional Stock Award, Performance Share Award and Stock Appreciation Right may be cancelled by the Committee as of the effective date of any such Change of Control provided that (x) notice of such cancellation shall be given to each holder of such an Award and (y) each holder of such an Award shall have the right to exercise such Award to the extent that the same is then exercisable or, if the Committee shall have accelerated the time for exercise of all such unexercised and unexpired Awards, in full during the 30-day period preceding the effective date of such Change of Control.

(b) "Change of Control" shall mean the occurrence of any one of the following events:

(i) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Act) becomes a "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Act) (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) persons who, as of January 1, 1994, constituted the Company's Board (the "Incumbent Board") cease for any reason, including without limitation as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to January 1, 1994 whose election was approved by, or who was nominated with the approval of, at least a majority of the directors then comprising the Incumbent Board shall, for purposes of this Plan, be considered a member of the Incumbent Board; or

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation or other entity, other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 65% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 50% of the combined voting power of the Company's then outstanding securities; or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

SECTION 16. *General Provisions.*

(a) *No Distribution; Compliance with Legal Requirements.* The Committee may require each person acquiring shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other legal and stock exchange requirements have been satisfied. The Committee may require the placing of such stop orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.

(b) *Delivery of Stock Certificates.* Delivery of stock certificates to participants under this Plan shall be deemed effected for all purposes when the Company or a stock transfer agent of the Company shall have delivered such certificates in the United States mail, addressed to the participant, at the participant's last known address on file with the Company.

(c) *Other Compensation Arrangements: No Employment Rights.* Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of the Plan or any Award under the Plan does not confer upon any employee any right to continued employment with the Company or any Subsidiary.

SECTION 17. *Effective Date of Plan.*

The Plan shall become effective upon approval by the holders of a majority of the shares of capital stock of the Company present or represented and entitled to vote at a meeting of stockholders.

SECTION 18. *Governing Law.*

This Plan shall be governed by, and construed and enforced in accordance with, the substantive laws of The Commonwealth of Massachusetts without regard to its principles of conflicts of laws.

January 15, 2010

Barry N. Bycoff
The Ritz Carlton Tower
Boston Common
3 Avery Street, Unit 609
Boston, MA 02111-1005

Re: Extension of Term as Executive Chairman

Dear Barry:

Reference is made to your employment letter (the "Employment Letter"), dated as of May 12, 2009, which sets forth the terms and conditions of your employment with Progress Software Corporation (the "Company") as Executive Chairman of the Board. As provided in the Employment Letter, you currently serve as Executive Chairman for a one-year term (the "Term") expiring at the annual meeting of shareholders of the Company in fiscal 2010. The Board of Directors of the Company has requested, and you have agreed, to extend the Term for an additional one-year.

The parties are entering into this letter agreement to memorialize their understanding that the Term is hereby extended for an additional one year such that the Term shall expire at the annual meeting of shareholders of the Company in fiscal 2011 (the "Extended Term"). During the Extended Term, all terms and conditions of your Employment Letter shall continue to apply, except as modified by the following paragraph.

In lieu of Paragraph 2 of the Employment Letter, on January 12, 2010, the Company issued you 25,789 restricted stock units, which will vest in two equal installments, with the first installment vesting on the six month anniversary of the date of the annual meeting of shareholders of the Company in fiscal 2010 and the second installment vesting six months thereafter, subject to your continued service with the Company. The number of restricted stock units issued to you was determined by dividing \$760,000 by \$29.47, which was the closing price of the Company's stock price on January 12, 2010.

Please confirm your agreement with the foregoing by signing this letter agreement in the space indicated.

Sincerely,

By: /s/ Michael L. Mark
Michael L. Mark
Lead Independent Director, Board of Directors
Progress Software Corporation

I agree to the terms of this letter agreement.

/s/ Barry N. Bycoff
Barry N. Bycoff

1/25/10
Date

RESTRICTED STOCK UNIT AWARD AGREEMENT
 UNDER THE PROGRESS SOFTWARE CORPORATION
 2008 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:
 Number of Restricted Stock Units:
 Grant Date:

Pursuant to the Progress Software Corporation 2008 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Progress Software Corporation (the "Company") hereby grants the number of Restricted Stock Units ("RSUs") specified above (the "Award") to the Grantee named above, subject to the terms of the Plan and this Award Certificate. The Award represents a promise to pay to the Grantee one share of Common Stock, par value \$.01 per share (the "Stock") of the Company for each RSU, subject to the restrictions and conditions set forth herein and in the Plan.

1. Restrictions.

(a) No Voting Rights and Dividends. Until such time as the RSUs are paid to the Grantee in shares of Stock, the Grantee shall have no voting rights and no rights to any dividends or other distributions with respect to the RSUs.

(b) Restrictions on Transfer. The RSUs granted pursuant to this Agreement may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated and any such attempt to transfer any RSU will not be honored.

2. Vesting of Restricted Stock Units.

(a) Form of Payment. Subject to the Grantee being employed by the Company on each vesting date, the restrictions and conditions in Paragraph 1 of this Agreement with respect to such RSU shall lapse and such RSU shall become payable to the Grantee in shares of Stock on the relevant vesting date specified below:

Vesting Date	Vesting Percentage
April 1, 2010	1/6 th
October 1, 2010	1/6 th
April 1, 2011	1/6 th
October 1, 2011	1/6 th
April 1, 2012	1/6 th
October 1, 2012	1/6 th

(b) The Grantee's rights to all RSUs granted herein and not yet vested in accordance with the provisions of Paragraph 2(a) shall automatically terminate upon the Grantee's termination of employment, voluntarily or involuntarily, with the Company and its Subsidiaries for any reason (including death).

3. Receipt of Stock Upon Vesting. Upon the vesting of the RSUs as provided in Paragraph 2(a), the Grantee shall receive one share of Stock for each RSU vested. Shares of Stock acquired pursuant to this Award shall be issued and delivered to the Grantee either in actual stock certificates or by electronic book entry, subject to tax withholding as provided in Paragraph 6 below.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

6. Tax Withholding. A taxable event will occur when the RSUs vest. At the time of vesting, the Company will calculate the amount of the tax withholding obligation based on the value of the Stock on the date of vest. The Grantee will have the option pursuant to the Election Form attached hereto as Exhibit A to pay the tax withholding obligation by delivery of a check for the amount of such withholding obligation within one business day following the date of vesting or by the Company withholding the required minimum amount from the shares of Stock to be issued to the Grantee. If the Grantee does not make an election, the tax withholding obligation will be satisfied by the Company withholding the required minimum amount from the shares of Stock to be issued to the Grantee. The Grantee may change this election by written notice to Jocelyn Stanick, Senior Treasurer Analyst of the Company, up to thirty (30) days prior to the first vesting date.

PROGRESS SOFTWARE CORPORATION

By: _____

Title: _____

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: _____

Grantee's Signature

PROGRESS SOFTWARE CORPORATION

ELECTION FORM

To: Jocelyn Stanick, Senior Treasury Analyst

1. I hereby elect to pay any required tax withholding obligation as a result of the vesting of Restricted Stock Units awarded pursuant to the Restricted Stock Unit Award Agreement to which this Election Form constitutes a part by:
 - Delivery of a check for the amount of such withholding obligation within one business day following the date of vesting
 - The Company withholding the required tax withholding amount from the shares of common stock to be issued to me upon vesting of such Restricted Stock Units
2. The above election shall remain in effect unless I notify the Company of a new election on or before the date that is thirty days prior to the first vesting date of the Restricted Stock Units.

Executed this _____ day of _____, 2009.

Signature

Print Name

Subsidiaries of Progress Software Corporation

North America

Barbados	Progress Software International Sales Corporation
California	Netfish Technologies, Inc.
California	OpenAccess Software Inc.
California	Savvion, Inc.
Canada	Actional Technologies, Ltd.
Canada	NEON Systems Quebec, Inc.
Canada	NEON Systems Canada Inc.
Canada	Object Oriented Concepts, Inc.
Canada	Progress Software Corporation of Canada Ltd.
Canada	PeerDirect Company
Delaware	Apama Inc.
Delaware	Actional Corporation
Delaware	IONA Government Technologies, Inc.
Delaware	IONA Technologies, Inc.
Delaware	NEON Systems, Inc.
Delaware	Netfish Technologies, Inc.
Delaware	Object Oriented Concepts, Inc.
Delaware	Pantero Corporation
Delaware	PeerDirect Corporation
Delaware	Persistence Software Inc.
Delaware	Progress Software International Corporation
Delaware	Progress Software Corporation
Delaware	Savvion International Corporation
Delaware	Xcalia Corp.
Massachusetts	DataDirect Technologies Corp.
Massachusetts	Oak Park Realty LLC
Massachusetts	Oak Park Realty Two LLC
Massachusetts	Progress Security Corporation
Pennsylvania	Genesis Development Corporation

Europe

Austria	Progress Software GesmbH
Belgium	DataDirect Technologies NV
Belgium	IONA Technologies (Belgium), SA
Belgium	Progress Software NV
Czech Republic	Progress Software spol. s.r.o.
Denmark	Progress Software A/S
Finland	Progress Software Oy.
France	IONA Technologies, SARL
France	Progress Software S.A.
France	Xcalia SA
Germany	Progress Software GmbH
Germany	Sonic Software GmbH
Ireland	IONA Technologies Limited
Ireland	IONA Research (IRL) Ltd.
Ireland	Orbix Limited

Italy	IONA Technologies (ITALIA) S.R.L.
Italy	Progress Software Italy S.r.l.
Netherlands	IONA Technologies (Netherlands) BV
Netherlands	Progress Software B.V.
Netherlands	Progress Software Europe B.V.
Netherlands	Savvion B.V.
Norway	Progress Software A/S
Poland	Progress Software Sp. z.o o.
Spain	IONA Technologies Spain SL
Spain	Progress Software S.L.U.
Sweden	Progress Software Svenska AB
Switzerland	IONA Technologies (Schweiz) AG
Switzerland	Progress Software AG
United Kingdom	Apama Limited
United Kingdom	DataDirect Technologies Ltd.
United Kingdom	NEON Systems UK Ltd
United Kingdom	IONA Technologies UK Ltd.
United Kingdom	Persistence Software Ltd.
United Kingdom	Progress Software Limited
United Kingdom	Sonic Software (UK) Limited
Latin America	
Argentina	Progress Software de Argentina S.A.
Brazil	Progress Software do Brasil Ltda.
Chile	Progress Software de Chile S.A.
Colombia	Progress Software de Colombia S.A.
Mexico	Progress Software, S.A. de C.V.
Venezuela	Progress Software de Venezuela C.A.
Asia Pacific	
Australia	IONA Technologies Asia Pacific Pty.
Australia	Object Oriented Concepts Pty. Limited
Australia	Progress Software Pty. Ltd.
Beijing	IONA Technologies China Limited
Hong Kong	IONA R&D Research Centre (Beijing)
Hong Kong	Progress Software Corporation Limited
India	Progress Software Development Private Limited
India	Savvion India Private Limited
Japan	IONA Technologies Japan, Ltd.
Japan	Progress Japan KK
Korea	IONA Technologies Korea Limited
Malaysia	Progress Software (M) Sdn Bhd
Singapore	IONA Technologies Singapore PTE Ltd.
Singapore	IONA Technologies PTY.
Singapore	Progress Software Corporation (S) Pte. Ltd.
South Africa	Progress Software (Pty) Ltd.
Other	
Cayman Islands	IONA Technologies Finance

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos. 33-41752, 33-50654, 33-96320, 333-41393, 333-41403, 333-80571, 333-98035, 333-101239, 333-122962, 333-146233 and 333-150555 on Form S-8 and Registration Statement No. 333-133724 on Form S-3 of our reports dated January 29, 2010, relating to the financial statements and financial statement schedules of Progress Software Corporation and the effectiveness of Progress Software Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Progress Software Corporation for the year ended November 30, 2009.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts

January 29, 2010

CERTIFICATION

I, Richard D. Reidy, certify that:

1. I have reviewed this annual report on Form 10-K of Progress Software Corporation;
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 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)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure control 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 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 registrant's board of directors (or persons performing the equivalent function):
 - 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: January 29, 2010

/s/ RICHARD D. REIDY

Richard D. Reidy
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Norman R. Robertson, certify that:

1. I have reviewed this annual report on Form 10-K of Progress Software Corporation;
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 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)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure control 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 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 registrant's board of directors (or persons performing the equivalent function):
 - 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: January 29, 2010

/s/ NORMAN R. ROBERTSON

Norman R. Robertson

Senior Vice President, Finance and

Administration and Chief Financial Officer

(Principal Financial Officer)

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 Progress Software Corporation (the Company) for the year ended November 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned, Richard D. Reidy, President and Chief Executive Officer, and Norman R. Robertson, Senior Vice President, Finance and Administration and Chief Financial Officer, of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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.

/s/ RICHARD D. REIDY
President and Chief Executive Officer

/s/ NORMAN R. ROBERTSON
Senior Vice President, Finance and Administration and
Chief Financial Officer

Date: January 29, 2010

Date: January 29, 2010