

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer			
1 Issuer's name Proofpoint, Inc.		2 Issuer's employer identification number (EIN) 51-0414846	
3 Name of contact for additional information Jeff Asher - Tax Director	4 Telephone No. of contact 408-850-4114	5 Email address of contact jasher@proofpoint.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 892 Ross Drive		7 City, town, or post office, state, and Zip code of contact Sunnyvale, CA 94089	
8 Date of action 4/20/2012		9 Classification and description Series E Preferred Stock	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **Immediately prior to Proofpoint's initial public offering on April 20, 2012, each share of Proofpoint Series E Preferred was automatically converted into 0.502315 shares of Proofpoint Common. Where the conversion factor mentioned above results in a fractional share, the number of Common shares issued is rounded down.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **Each post conversion share of Proofpoint Common has 199.07827% of the tax basis of a pre conversion share of Proofpoint Series E Preferred.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **As a result of the automatic conversion, the tax basis in each post-conversion share of Proofpoint Common was 199.07827% of the basis of each pre-conversion share of series E Preferred. For example, a U.S. taxpayer who had tax basis of \$1,000 in 1,000 shares of Series E Preferred (\$1/share) prior to the automatic conversion, has tax basis of \$1,000 in 502 shares of Proofpoint Common (\$1.99/share) subsequent to the automatic conversion.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ _____

No gain/loss should be recognized by Proofpoint or a U.S. taxpayer who owns Proofpoint common shares as a result of the conversion of Proofpoint convertible preferred Series E shares into shares of Proofpoint common stock pursuant to IRC 1036(a). IRC 1036(a) provides in part that no gain/loss will be recognized if common stock is exchanged solely for common stock in the same corporation.

In addition, Treas. Reg. § 1.1036-1(a) states in part that a transaction between a shareholder and the corporation may qualify not only under IRC 1036(a) but also may qualify for tax-free treatment under section 368(a)(1)(E) as a recapitalization.

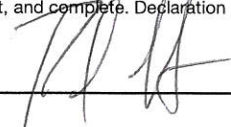
18 Can any resulting loss be recognized? ▶ _____

N/A

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ _____

Reportable tax year is 2012

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here Signature ▶  Date ▶ 5-21-12

Print your name ▶ Paul Auvil Title ▶ CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.