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

FORM 10-Q

(Mark One)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended February 28, 2010**

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)(Zip code)
Telephone Number: **(781) 280-4000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer 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

As of March 31, 2010, there were 42,172,000 shares of the registrant's common stock, \$.01 par value per share, outstanding.

PROGRESS SOFTWARE CORPORATION
FORM 10-Q
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2010
INDEX

PART I FINANCIAL INFORMATION

<u>Item 1. Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets as of February 28, 2010 and November 30, 2009</u>	3
<u>Condensed Consolidated Statements of Operations for the three months ended February 28, 2010 and 2009</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the three months ended February 28, 2010 and 2009</u>	5
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	21
<u>Item 4. Controls and Procedures</u>	21

PART II OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	22
<u>Item 1A. Risk Factors</u>	22
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
<u>Item 6. Exhibits</u>	22
<u>Signatures</u>	24

<u>EX-10.1 Separation Agreement, dated as of March 31, 2010, between Progress Software Corporation and Jeffrey Stamen</u>	
<u>EX-10.2 2002 Non-Qualified Stock Plan, amended and restated as of March 18, 2010</u>	
<u>EX-10.3 2004 Inducement Stock Plan, amended and restated as of March 18, 2010</u>	
<u>EX-31.1 Section 302 Certification of Richard D. Reidy</u>	
<u>EX-31.2 Section 302 Certification of Norman R. Robertson</u>	
<u>EX-32.1 Section 906 Certification</u>	

PART 1. FINANCIAL INFORMATION**Item 1. Financial Statements****Condensed Consolidated Balance Sheets (unaudited)**

<i>(In thousands)</i>	February 28, 2010	November 30, 2009
Assets		
Current assets:		
Cash and equivalents	\$ 179,164	\$ 175,873
Short-term investments	31,403	48,248
Total cash and short-term investments	210,567	224,121
Accounts receivable, net	96,000	98,872
Other current assets	28,220	20,193
Deferred income taxes	14,985	14,433
Total current assets	349,772	357,619
Property and equipment, net	57,783	59,625
Acquired intangible assets, net	108,324	86,389
Goodwill	235,835	218,498
Deferred income taxes	34,276	30,638
Long-term investments and other	44,858	46,081
Total	\$ 830,848	\$ 798,850
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion, long-term debt	\$ 365	\$ 358
Accounts payable	10,976	12,400
Accrued compensation and related taxes	32,903	44,472
Income taxes payable	1,652	4,082
Other accrued liabilities	43,793	24,369
Short-term deferred revenue	157,739	141,243
Total current liabilities	247,428	226,924
Long-term debt, less current portion	604	664
Long-term deferred revenue	3,679	4,511
Deferred income taxes	3,275	3,445
Other non-current liabilities	8,808	7,854
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital; authorized, 100,000 shares; issued and outstanding, 41,346 shares in 2010 and 40,604 shares in 2009	268,073	247,265
Retained earnings, including accumulated other comprehensive losses of \$(8,080) in 2010 and \$(3,385) in 2009	298,981	308,187
Total shareholders' equity	567,054	555,452
Total	\$ 830,848	\$ 798,850

See notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)**Condensed Consolidated Statements of Operations (unaudited)***(In thousands, except per share data)*

	Three Months Ended	
	Feb. 28, 2010	Feb. 28, 2009
Revenue:		
Software licenses	\$ 47,117	\$ 45,852
Maintenance and services	80,430	75,008
Total revenue	127,547	120,860
Costs of revenue:		
Cost of software licenses	1,989	2,317
Cost of maintenance and services	16,914	17,333
Amortization of acquired technology intangibles	5,098	4,728
Total costs of revenue	24,001	24,378
Gross profit	103,546	96,482
Operating expenses:		
Sales and marketing	43,206	44,315
Product development	23,387	24,919
General and administrative	12,782	14,575
Amortization of other acquired intangibles	2,364	2,366
Restructuring expense	25,771	5,478
Acquisition-related expenses	415	110
Total operating expenses	107,925	91,763
Income (loss) from operations	(4,379)	4,719
Other income:		
Interest income and other	1,481	1,073
Foreign currency gain	1,275	156
Total other income	2,756	1,229
Income (loss) before provision for income taxes	(1,623)	5,948
Provision for (benefit from) income taxes	(617)	2,296
Net income (loss)	\$ (1,006)	\$ 3,652
Earnings (loss) per share:		
Basic	\$ (0.02)	\$ 0.09
Diluted	\$ (0.02)	\$ 0.09
Weighted average shares outstanding:		
Basic	41,079	39,941
Diluted	41,079	40,521

See notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)**Condensed Consolidated Statements of Cash Flows (unaudited)**

<i>(In thousands)</i>	Three Months Ended	
	Feb. 28, 2010	Feb. 28, 2009
Cash flows from operating activities:		
Net income (loss)	\$ (1,006)	\$ 3,652
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	3,079	2,619
Amortization of acquired intangible assets	7,462	7,094
Stock-based compensation	4,557	3,816
Deferred income taxes	(210)	(821)
Tax benefit from stock plans	1,640	(104)
Excess tax benefit from stock plans	(740)	—
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	3,522	(3,721)
Other current assets	(723)	3,366
Accounts payable and accrued liabilities	6,725	(22,377)
Income taxes payable	(9,361)	(6,386)
Deferred revenue	19,303	17,253
Net cash provided by operating activities	34,248	4,391
Cash flows from investing activities:		
Purchases of investments available for sale	(4,622)	(1,791)
Sales and maturities of investments available for sale	19,768	20,336
Redemptions of auction rate securities	2,250	—
Purchases of property and equipment	(1,502)	(2,056)
Acquisitions	(49,086)	—
Increase in other non-current assets	90	(191)
Net cash provided by (used for) investing activities	(33,102)	16,298
Cash flows from financing activities:		
Issuance of common stock	21,117	1,357
Excess tax benefit from stock plans	740	—
Payment of long-term debt	(88)	(80)
Repurchase of common stock	(10,010)	(1,712)
Net cash provided by (used for) financing activities	11,759	(435)
Effect of exchange rate changes on cash	(9,614)	(1,789)
Net increase in cash and equivalents	3,291	18,465
Cash and equivalents, beginning of period	175,873	96,485
Cash and equivalents, end of period	\$ 179,164	\$ 114,950

See notes to unaudited condensed consolidated financial statements.

Notes to Unaudited Condensed Consolidated Financial Statements

Note 1: Basis of Presentation

We have prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements and these unaudited financial statements should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2009.

We have made no significant changes in the application of our significant accounting policies other than required changes that were disclosed in our Annual Report on Form 10-K for the fiscal year ended November 30, 2009.

We have prepared the accompanying unaudited condensed consolidated financial statements on the same basis as the audited financial statements, and these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full fiscal year.

We evaluated subsequent events through the date and time our condensed consolidated financial statements were issued.

Note 2: 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.

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.

[Table of Contents](#)**Note 3: Earnings (Loss) 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 dilutive restricted and deferred stock units. The following table provides the calculation of basic and diluted earnings per share on an interim basis:

(In thousands, except per share data)

	Three Months Ended	
	Feb. 28, 2010	Feb. 28, 2009
Net income (loss)	\$ (1,006)	\$ 3,652
Weighted average shares outstanding	41,079	39,941
Dilutive impact from outstanding stock awards	—	580
Diluted weighted average shares outstanding	41,079	40,521
Earnings (loss) per share:		
Basic	(\$0.02)	\$ 0.09
Diluted	(\$0.02)	\$ 0.09

We excluded stock awards representing approximately 7,788,000 shares of common stock from the calculation of diluted earnings per share in the first quarter of fiscal 2009 because these awards were anti-dilutive. We excluded all outstanding stock awards from the calculation of diluted earnings per share for the first quarter of fiscal 2010 as the impact would have been anti-dilutive as we were in an overall net loss position.

Note 4: 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.

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

(In thousands)

	Three Months Ended	
	Feb. 28, 2010	Feb. 28, 2009
Cost of software licenses	\$ 9	\$ 12
Cost of maintenance and services	254	237
Sales and marketing	1,578	1,488
Product development	1,107	944
General and administrative	1,283	1,135
Restructuring	326	—
Total stock-based compensation expense	\$ 4,557	\$ 3,816

Note 5: 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 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.

Our federal income tax returns are closed by statute for all years prior to fiscal 2005 and we are no longer subject to audit for those periods. 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. Tax authorities for certain non-U.S. jurisdictions are also examining returns affecting unrecognized tax benefits, none of which are material to our balance

[Table of Contents](#)

sheet, cash flows or statements of operations. 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 6: Investments

A summary of our investments by major security type at February 28, 2010 is as follows:

(In thousands)

Security Type	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
State and municipal bond obligations	\$ 10,114	\$ 290	\$ —	\$ 10,404
US government and agency securities	9,999	—	—	9,999
Auction rate securities — municipal bonds	27,600	—	(4,263)	23,337
Auction rate securities — student loans	19,300	—	(2,757)	16,543
Certificates of deposit	2,716	—	—	2,716
Subtotal — available-for-sale securities	69,729	290	(7,020)	62,999
Put option related to ARS rights offering	—	1,530	—	1,530
Auction rate securities — student loans	16,025	—	(1,530)	14,495
Subtotal — trading securities	16,025	1,530	(1,530)	16,025
Total	\$ 85,754	\$ 1,820	\$ (8,550)	\$ 79,024

Such amounts are classified on our balance sheet at February 28, 2010 as follows:

(In thousands)

Security Type	Cash Equivalents	Short-term Investments	Long-term Investments
State and municipal bond obligations	\$ —	\$ 10,404	\$ —
US government and agency securities	7,500	2,499	—
Auction rate securities — municipal bonds	—	—	23,337
Auction rate securities — student loans	—	—	16,543
Certificates of deposit	241	2,475	—
Subtotal — available-for-sale securities	7,741	15,378	39,880
Put option related to ARS rights offering	—	1,530	—
Auction rate securities — student loans	—	14,495	—
Subtotal — trading securities	—	16,025	—
Total	\$ 7,741	\$ 31,403	\$ 39,880

For each of the auction rate securities (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 \$39.9 million, and we recorded a temporary impairment charge in accumulated other comprehensive income of \$7.0 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 \$16.0 million par value of ARS that we hold as a result of our acquisition of IONA Technologies PLC. 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 \$1.5 million in our financial statements at February 28, 2010, 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 have elected to measure the put option at fair value and subsequent changes in fair value will also be recognized in current period earnings. In the first three months of fiscal 2010, we recorded a gain in earnings of \$0.1 million to increase the value of

[Table of Contents](#)

our ARS investments classified as trading securities, offset by a similar loss on the put option related to the ARS rights offering.

With the exception of the ARS classified as trading securities, 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 long-term investments on the balance sheet at February 28, 2010. However, based on our cash and short-term investments balance of \$210.6 million 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 currently estimated recovery period. 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 other-than-temporary impairment charge to earnings.

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

The fair value of debt securities at February 28, 2010 and November 30, 2009, by contractual maturity, is as follows:

(In thousands)

	Feb. 28, 2010	Nov. 30, 2009
Due in one year or less (1)	\$ 68,617	\$ 80,396
Due after one year	8,877	9,826
Total	\$ 77,494	\$ 90,222

- (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.

[Table of Contents](#)

Investments with continuous unrealized losses for less than twelve months and twelve months or greater and their related fair values are as follows at February 28, 2010:

(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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
US government and agency securities	—	—	—	—	—	—
Auction rate securities — municipal bonds	—	—	23,337	(4,263)	23,337	(4,263)
Auction rate securities — student loans	—	—	31,038	(4,287)	31,038	(4,287)
Certificates of deposit	—	—	—	—	—	—
Total	\$ —	\$ —	\$ 54,375	\$ (8,550)	\$ 54,375	\$ (8,550)

Investments with continuous unrealized losses for less than twelve months and twelve months or greater and their related fair values are 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)

The unrealized losses associated with state and municipal obligations 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 February 28, 2010.

Note 7: Fair Value Measurements

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

(In thousands)

Description	Feb. 28, 2010	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	\$ 10,404	\$ 10,404	\$ —	\$ —
US government and agency securities	9,999	9,999	—	—
Auction rate securities — municipal bonds	23,337	—	—	23,337
Auction rate securities — student loans	31,038	—	—	31,038
Certificates of deposit	2,716	2,716	—	—
Put option related to ARS rights offering	1,530	—	—	1,530
Foreign exchange derivatives	(82)	—	(82)	—
Total	\$ 78,942	\$ 23,119	\$ (82)	\$ 55,905

[Table of Contents](#)

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 auction rate securities (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, 2009	\$ 58,454
Redemptions	(2,250)
Unrealized loss included in accumulated other comprehensive loss	(299)
Unrealized gain on ARS trading securities included in other income	66
Unrealized loss on put option related to ARS rights offering included in other income	(66)
Balance, Feb. 28, 2010	\$ 55,905

Note 8: 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 the first quarter of fiscal 2010, mark-to-market gains of \$1.9 million on foreign currency option contracts were recorded in other income 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 the first quarter of fiscal 2010, losses of \$5.0 million from our forward contracts were recognized in other income in the statement of operations. These losses were substantially offset by unrealized gains on the offsetting positions.

The table below details outstanding foreign currency forward and option contracts at February 28, 2010 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	\$ 40,132	\$ (2)
Foreign currency forward contracts to purchase U.S. dollars	12,209	(80)
Foreign currency option contracts to purchase U.S. dollars	109,777	3,945
Total	\$ 162,118	\$ 3,863

[Table of Contents](#)

Note 9: Comprehensive Income

The components of comprehensive income include net income, foreign currency translation adjustments and unrealized gains and losses on investments. The following table provides the composition of comprehensive income on an interim basis:

(In thousands)

	Three Months Ended	
	Feb. 28, 2010	Feb. 28, 2009
Net income (loss), as reported	\$ (1,006)	\$ 3,652
Foreign currency translation adjustments	(4,665)	(695)
Unrealized losses on investments	(30)	(474)
Total comprehensive income (loss)	\$ (5,701)	\$ 2,483

Note 10: Common Stock Repurchases

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. We purchased and retired approximately 351,000 shares and 101,000 shares of our common stock for \$10.0 million and \$1.7 million in the first three months of fiscal 2010 and fiscal 2009, respectively. There were 646,000 shares of common stock available for repurchase under this authorization at February 28, 2010.

Note 11: Goodwill

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. Goodwill in certain jurisdictions changes each period due to changes in foreign currency exchange rates. During the first quarter of fiscal 2010, we completed our annual testing for impairment of goodwill and, based on those tests, concluded that no impairment of goodwill existed as of December 15, 2009. For purposes of the annual impairment test, we assigned goodwill of \$60.9 million to the Application Development Platforms operating segment, \$74.6 million to the Enterprise Business Solutions operating segment and \$100.3 million to the Enterprise Data Solutions operating segment. See Note 12 for a description of each operating segment. The increase in goodwill from the end of fiscal 2009 was primarily related to the acquisition of Savvion Inc. (Savvion) in January 2010.

Note 12: Segment Information

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. We disclose revenue and operating income based upon internal accounting methods. Our chief operating decision maker is our Chief Executive Officer.

For fiscal 2010, we have reorganized into three business units, each of which meet the criteria for segment reporting: (1) Application Development Platforms, which includes the OpenEdge, Orbix and ObjectStore product sets; (2) Enterprise Business Solutions, which includes the Apama, Sonic, Actional and FUSE product sets as well as the Savvion product set acquired in January 2010; and (3) Enterprise Data Solutions, which includes the DataDirect Connect, DataDirect Shadow and DataServices product sets.

We do not manage our assets or capital expenditures by segment or assign other income and income taxes to segments. We manage and report such items on a consolidated company basis.

[Table of Contents](#)

The following table provides revenue and income (losses) from operations for our reportable segments on an interim basis:

<i>(In thousands)</i>	Three months ended,	
	Feb. 28, 2010	Feb. 28, 2009
Revenue:		
Application Development Platform segment	\$ 81,856	\$ 81,157
Enterprise Business Solutions segment	27,692	21,428
Enterprise Data Solutions segment	18,453	19,823
Reconciling items	(454)	(1,548)
Total	\$ 127,547	\$ 120,860
Income (loss) from operations:		
Application Development Platform segment	\$ 48,626	\$ 33,969
Enterprise Business Solutions segment	(11,026)	(9,933)
Enterprise Data Solutions segment	(4,846)	(1,240)
Reconciling items	(37,133)	(18,078)
Total	\$ (4,379)	\$ 4,718

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.

Note 13: Contingencies

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.

On January 21, 2010, JuxtaComm Technologies (JuxtaComm) filed a complaint in the Eastern District of Texas against Progress Software, two of our subsidiaries and 19 other defendants, alleging infringement of JuxtaComm's US patent 6,195,662 ("System for Transforming and Exchanging Data Between Distributed Heterogeneous Computer Systems"). In its complaint, JuxtaComm seeks unspecified monetary damages and permanent injunctive relief. We have not yet filed a response to this complaint and we are still in the process of evaluating the complaint. We intend to vigorously defend ourselves.

Note 14: Restructuring Charges

Q1 2010 Restructuring Plan

During the first quarter of fiscal 2010, 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 restructuring was undertaken to enhance and re-focus our product strategy, to improve the way we take our products to market by becoming more customer and solutions driven, and to increase our market awareness. To accomplish these goals, and with a view toward better optimizing operations and improving productivity and efficiency, we reduced our global workforce by approximately 13 percent primarily within the sales, development and marketing organizations. This workforce reduction was conducted across all geographies and also resulted in a consolidation of offices in certain locations. The total expected costs associated with the restructuring aggregated to \$25.8 million, of which \$14.8 million remained to be paid at February 28, 2010. 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 operations. The restructuring charge included \$0.3 million of noncash stock-based compensation. The excess facilities and other costs represent facilities costs for unused space and termination costs of automobile leases for employees included in the workforce reduction.

Q4 2008 and Q1 2009 Restructuring Plans

During the fourth quarter of fiscal 2008 and 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 these restructurings aggregated to \$11.8 million, of which \$0.4 million remained to be paid at February 28, 2010. 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 facilities costs for unused space and termination costs of automobile leases for employees included in the workforce reduction.

In addition to the above restructuring plans and in connection with certain of our prior acquisitions, we established reserves for exit costs related to consolidation and closure of facilities for unused space and employee severance included as part of the purchase price allocation. Substantially all such amounts have been settled except for remaining excess facility costs associated with our location in Ireland. Since the restructuring reserve for Q1 2010 includes additional excess costs associated with our location in Ireland, we have combined the activity in the table below.

A summary of activity for all restructuring actions is as follows:

(In thousands)

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2009	\$ 6,191	\$ 252	\$ 6,443
Establishment of reserve related to Q1 2010 restructuring	5,288	20,157	25,445
Cash disbursements related to previous restructurings	(992)	(150)	(1,142)
Cash disbursements related to Q1 2010 restructuring	(128)	(10,261)	(10,389)
Translation adjustments and other	(406)	(56)	(462)
Balance, February 28, 2010	\$ 9,953	\$ 9,942	\$ 19,895

The amounts included under cash disbursements are net of proceeds received from sublease agreements. The balance of the employee severance and related benefits is expected to be paid over a period time ending in fiscal 2011. The balance of the excess facilities and related costs is expected to be paid over a period of time ending in fiscal 2013.

For all restructuring reserves 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 February 28, 2010.

Note 15: Business Combinations

On January 8, 2010, we acquired all of the equity interests in Savvion, a privately-held company, through a merger of Savvion with a wholly-owned subsidiary for an aggregate purchase price of \$49.1 million. Savvion is a provider of business process management software. The Savvion product lines became part of our Enterprise Business Solutions business unit. The acquisition was accounted for as a purchase, and accordingly, the results of operations of Savvion are included in our operating results from the date of acquisition. The purchase price was paid in cash from available funds.

At the beginning of fiscal 2010, we adopted the revised accounting standard for business combinations. The most significant changes affecting the accounting for our acquisition of Savvion (in contrast to our prior acquisitions) are that (i) we capitalized in-process research and development assets of \$2.0 million; (ii) expensed acquisition-related transaction costs of \$0.4 million; and (iii) recognized all pre-acquisition loss and gain contingencies at their acquisition-date fair values. 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 adjustments to the cost of acquisition. We have estimated the fair value of all assets acquired and liabilities assumed in the transaction. We are waiting to obtain further information in order to finalize the fair value of both the tax attributes and certain intangible assets of Savvion.

[Table of Contents](#)

The preliminary allocation of the purchase price as of February 28, 2010 is as follows:

(In thousands)

	Total	Life (in years)
Acquired intangible assets	\$ 30,000	7 to 9 years
Goodwill	17,433	
Accounts receivable	5,395	
Deferred tax assets	1,780	
Liabilities assumed, net of other assets	(5,522)	
Net cash paid	\$ 49,086	

We recorded the excess of the purchase price over the identified tangible and intangible assets as goodwill. We believe that the investment value of the synergy created as a result of this acquisition, due to future product and solution offerings, has principally contributed to a purchase price that resulted in the recognition of approximately \$17 million of goodwill, which is not deductible for tax purposes.

We have not included pro forma financial information for Savvion as the historical operations were not significant to our consolidated financial statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 contains certain safe harbor provisions regarding forward-looking statements. This Form 10-Q, 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 several important factors that could cause actual results or events to differ materially from those anticipated by the forward-looking statements, including but not limited to the following: the receipt and shipment of new orders; the timely release and market acceptance of new products and /or enhancements to our existing products; the growth rates of certain market segments; the positioning of our products in those market segments; variations in the demand for professional services and technical support; pricing pressures and the competitive environment in the software industry; the weakness in the U.S. and international economies, which could result in fewer sales of our products and may otherwise harm our business; business and consumer use of the Internet; our ability to complete and integrate acquisitions; our ability to realize the expected benefits and anticipated synergies from acquired businesses; our ability to penetrate international markets and manage our international operations; the possibility that our efforts to contain our operating expenses may not have the effect we expect; changes in exchange rates; and those factors discussed in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended November 30, 2009. 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.

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 fiscal 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

[Table of Contents](#)

product lines and business activities also utilize a term or subscription licensing model. A complete discussion on our business units is included in our Annual Report on Form 10-K for our fiscal year ended November 30, 2009.

On January 8, 2010, we acquired all of the equity interests in Savvion, a privately-held company, through the merger of Savvion with a wholly-owned subsidiary 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 became part of our Enterprise Business Solutions business unit. The acquisition was accounted for as a purchase, and accordingly, the results of operations of Savvion are included in our operating results from the date of acquisition. The purchase price was paid in cash from available funds.

The results for the first quarter of fiscal 2010 reflect a restructuring charge of \$25.8 million taken in connection with the previously announced restructuring of our operations. This restructuring was principally completed during the first quarter. It was undertaken to enhance and re-focus our product strategy, to improve the way we take our products to market by becoming more customer and solutions driven, and to increase Progress Software's market awareness. To accomplish these goals, and with a view toward better optimizing operations and improving productivity and efficiency, we reduced our global workforce by approximately 13 percent primarily within our sales, development and marketing organizations. This workforce reduction was conducted across all geographies and also resulted in a consolidation of offices in certain locations.

Another factor impacting our results is that we derive a significant portion of our revenue from international operations. In the first three quarters of fiscal 2009, the strengthening of the U.S. dollar against most major currencies, primarily the euro and the British pound, negatively affected the translation of our results into U.S. dollars. In the fourth quarter of fiscal 2009 and in the first quarter of fiscal 2010, the weakening of the U.S. dollar against most major currencies positively affected the translation of our results into U.S. dollars.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Revenue Recognition
- Allowance for Doubtful Accounts
- Goodwill and Intangible Assets
- Income Tax Accounting
- Stock-Based Compensation
- Investments in Debt Securities
- Restructuring Charges

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. Our senior management has reviewed these critical accounting policies and related disclosures with the Audit Committee of the Board of Directors.

During the first three months of fiscal 2010, there were no significant changes in our critical accounting policies and estimates. See Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of our Annual Report on Form 10-K for the fiscal year ended November 30, 2009 for a more complete discussion of our critical accounting policies and estimates.

[Table of Contents](#)**Results of Operations**

The following table provides 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:

	Percentage of Total Revenue		Period to Period Change
	Three Months Ended		2010
	Feb. 28, 2010	Feb. 28, 2009	Compared to 2009
Revenue:			
Software licenses	37%	38%	3%
Maintenance and services	63	62	7
Total revenue	100	100	6
Costs of revenue:			
Cost of software licenses	2	2	(14)
Cost of maintenance and services	13	14	(2)
Amortization of acquired intangibles for purchased technology	4	4	8
Total costs of revenue	19	20	(2)
Gross profit	81	80	7
Operating expenses:			
Sales and marketing	34	37	(3)
Product development	18	21	(6)
General and administrative	10	12	(12)
Amortization of other acquired intangibles	2	2	0
Restructuring expenses	20	4	370
Acquisition-related expenses	0	0	277
Total operating expenses	84	76	18
Income (loss) from operations	(3)	4	(193)
Other (expense) income, net	2	1	124
Income (loss) before provision for income taxes	(1)	5	(127)
Provision for (benefit from) income taxes	0	2	(127)
Net income (loss)	(1)%	3%	(128)%

Revenue. Our total revenue increased 6% from \$120.9 million in the first quarter of fiscal 2009 to \$127.5 million in the first quarter of fiscal 2010. Total revenue would have decreased by 1% if exchange rates had been constant in the first quarter of fiscal 2010 as compared to exchange rates in effect in the first quarter of fiscal 2009. Revenue from our Enterprise Business Solutions and Application Development Platforms product lines both increased in the first quarter of fiscal 2010 as compared to the first quarter of fiscal 2009, partially offset by a decrease in our Enterprise Data Solutions product line.

On a segment basis, revenue from our Application Development Platforms product line increased 1% from \$81.2 million in the first quarter of fiscal 2009 to \$81.9 million in the first quarter of fiscal 2010. Revenue from our Enterprise Business Solutions product line increased 29% from \$21.4 million in the first quarter of fiscal 2009 to \$27.7 million in the first quarter of fiscal 2010. Revenue for the Enterprise Business Solutions product line in the first quarter of fiscal 2010 included approximately \$2 million of revenue from the product line acquired in the Savvion transaction in the first quarter of fiscal 2010. Revenue from our Enterprise Data Solutions product line decreased 7% from \$19.8 million in the first quarter of fiscal 2009 to \$18.5 million in the first quarter of fiscal 2010.

Software license revenue increased 3% from \$45.9 million in the first quarter of fiscal 2009 to \$47.1 million in the first quarter of fiscal 2010. Software license revenue would have decreased by 3% if exchange rates had been constant in the first quarter of fiscal 2010 as compared to exchange rates in effect in the first quarter of fiscal 2009. Software license revenue from indirect channels increased by 7% in the first quarter of fiscal 2010 as compared to the first quarter of fiscal 2009, partially offset by a slight decline in revenue from direct end users.

Maintenance and services revenue increased 7% from \$75.0 million in the first quarter of fiscal 2009 to \$80.4 million in the first quarter of fiscal 2010. Maintenance revenue increased 5% and professional services revenue increased 7% in the first

[Table of Contents](#)

quarter of fiscal 2010 as compared to the first quarter of fiscal 2009. Maintenance and services revenue would have increased by 1% if exchange rates had been constant in the first quarter of fiscal 2010 as compared to exchange rates in effect in the first quarter of fiscal 2009. Excluding the impact of changes in exchange rates, the increase in maintenance and services revenue was primarily the result of a slight increase in our installed customer base of maintenance renewals and growth in our professional services revenue.

Total revenue generated in markets outside North America increased 3% from \$67.4 million in the first quarter of fiscal 2009 to \$69.7 million in the first quarter of fiscal 2010 and represented 55% of total revenue in both the first quarter of fiscal 2009 and the first quarter of fiscal 2010. Total revenue generated in markets outside North America would have represented 52% of total revenue if exchange rates had been constant in the first quarter of fiscal 2010 as compared to the exchange rates in effect in the first quarter of fiscal 2009. Revenue from Latin America increased in the first quarter of fiscal 2010 as compared to the first quarter of fiscal 2009, partially offset by a decrease in revenue from the two other major regions outside North America, consisting of EMEA and Asia Pacific.

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 14% from \$2.3 million in the first quarter of fiscal 2009 to \$2.0 million in the first quarter of 2010, and decreased as a percentage of software license revenue from 5% to 4%. The slight dollar decrease for the first quarter 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 varies 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, consulting and education. Cost of maintenance and services decreased 2% from \$17.3 million in the first quarter of fiscal 2009 to \$16.9 million in the first quarter of fiscal 2010, and decreased as a percentage of maintenance and services revenue from 23% to 21%. The total dollar amount of expense in fiscal 2010 decreased due to lower usage of third-party contractors for service engagements, partially offset by higher headcount related expenses

Amortization of Acquired Intangibles for Purchased Technology. Amortization of acquired intangibles for purchased technology primarily represents the amortization of the value assigned to technology-related intangible assets obtained in business combinations. Amortization of acquired intangibles for purchased technology increased 8% from \$4.7 million in the first quarter of fiscal 2009 to \$5.1 million in the first quarter of fiscal 2010. The increase was due to amortization expense associated with the acquisition of Savvion.

Gross Profit. Our gross profit increased 7% from \$96.5 million in the first quarter of fiscal 2009 to \$103.5 million in the first quarter of fiscal 2010. Our gross profit as a percentage of total revenue increased from 80% in the first three months of fiscal 2009 to 81% in the first three months of fiscal 2010. The increase in our gross profit percentage was due to the increase in total revenue and lower cost of licenses and cost of maintenance and services expenses, partially offset by an increase in amortization expense of acquired intangibles for purchased technology as described above.

Sales and Marketing. Sales and marketing expenses decreased 3% from \$44.3 million in the first quarter of fiscal 2009 to \$43.2 million in the first quarter of fiscal 2010, and decreased as a percentage of total revenue from 37% to 34%. The decrease in sales and marketing expenses was primarily due to restructuring activities that occurred in the first quarter of fiscal 2010.

Product Development. Product development expenses decreased 6% from \$24.9 million in the first quarter of fiscal 2009 to \$23.4 million in the first quarter of fiscal 2010, and decreased as a percentage of revenue from 21% to 18%. The decrease was primarily due to the restructuring activities that occurred in the first quarter of 2010, partially offset by an increase associated with the product development team acquired in the Savvion transaction.

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 12% from \$14.6 million in the first quarter of fiscal 2009 to \$12.8 million in the first quarter of fiscal 2010, and decreased as a percentage of revenue from 12% to 10%. The decrease was primarily due to insurance reimbursements in excess of previously estimated amounts related to professional services fees from the SEC investigation and derivative lawsuits associated with our historical stock option grant practices and restructuring activities that occurred in the first quarter of fiscal 2010, partially offset by integration and transition expenses associated with the Savvion acquisition.

Restructuring Expenses. During the first quarter of fiscal 2010, 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 restructuring was undertaken to enhance and re-focus our product strategy, to improve the way we take our products to market by becoming more customer and solutions driven, and to increase our market awareness. To

Table of Contents

accomplish these goals, and with a view toward better optimizing operations and improving productivity and efficiency, we reduced our global workforce by approximately 13 percent primarily within the sales, development and marketing organizations. This workforce reduction was conducted across all geographies and also resulted in a consolidation of offices in certain locations. The total costs associated with the restructuring was \$25.8 million in the first three months of fiscal 2010, primarily related to employee severance, excess facilities costs for unused space and, to a lesser extent, termination costs of automobile leases for terminated employees.

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 \$5.5 million, 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.

Amortization of Other Acquired Intangibles. Amortization of other acquired intangibles primarily represents the amortization of value assigned to non-technology-related intangible assets obtained in business combinations. Amortization of other acquired intangibles remained the same at \$2.4 million in the first quarter of fiscal 2009 and fiscal 2010.

Acquisition-related Expenses. Acquisition-related expenses in the first quarter primarily relate to the transaction costs, primarily professional services fees, associated with the acquisition of Savvion.

Income (Loss) From Operations. Income from operations decreased from a profit of \$4.7 million in the first quarter of fiscal 2009 to a loss of \$4.4 million in the first quarter of fiscal 2010. The decrease in the first quarter of fiscal 2010 as compared to the first quarter of fiscal 2009 was primarily the result of the restructuring charge that occurred in the first quarter of 2010.

On a segment basis, operating income from our Application Development Platforms business unit increased 43% from \$34.0 million in the first quarter of fiscal 2009 to \$48.6 million in the first quarter of fiscal 2010. The operating loss from our Enterprise Business Solutions business unit increased 11% from \$(9.9) million in the first quarter of fiscal 2009 to \$(11.0) million in the first quarter of fiscal 2010. The operating loss from our Enterprise Data Solutions business unit increased from \$(1.2) million in the first quarter of fiscal 2009 to \$(4.8) million in the first quarter of fiscal 2010. The increase in operating income in our Application Development Platforms group was due the impact of the restructuring and re-allocation of resources, primarily sales and marketing, to the other two business units. See further discussion of segment reporting in footnote 12 of the condensed consolidated financial statements included in this report.

Other Income. Other income, primarily consisting of interest income and foreign currency gains and losses, increased 124% from \$1.2 million in the first quarter of fiscal 2009 to \$2.8 million in the first quarter of fiscal 2010. The increase was primarily due to an increase in the value of our foreign currency average rate option contracts and an insurance settlement gain related to a pre-acquisition contingency assumed as part of a prior acquisition.

Provision for Income Taxes. Our effective tax rate was 38.0% in the first three months of 2010 as compared to 38.6% in the first three months of fiscal 2009. The decrease was due to changes in profit within certain tax jurisdictions, partially offset by a reduced expectation for research and development credits in fiscal 2010 as the credit provisions in the tax code expired at the end of December 2009.

Liquidity and Capital Resources

At the end of the first quarter of fiscal 2010, our cash and short-term investments totaled \$210.6 million. The decrease of \$13.6 million since the end of fiscal 2009 was primarily due to cash used for the acquisition of Savvion, partially offset by cash generated from operations and issuances of common stock (net of share repurchases).

In addition to the \$210.6 million of cash and short-term investments, we had investments with a fair value of \$39.9 million related to ARS that are classified as long-term investments. 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. 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, 2009, our ARS investments classified as long-term investments totaled \$47.4 million at par value. During the first three months of fiscal 2010, noncurrent ARS totaling \$0.5 million were redeemed at par by the issuer, resulting in a net reduction of the par value of our ARS investments classified as long-term investments to \$46.9 million. These ARS are classified as available-for-sale securities.

[Table of Contents](#)

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 \$39.9 million, and we recorded a temporary impairment charge in accumulated other comprehensive income of \$7.0 million to reduce the value of our available-for-sale ARS investments.

With the exception of the ARS classified as trading securities, 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 long-term investments on the balance sheet at February 28, 2010. Based on our cash and short-term investments balance of \$210.6 million 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 currently estimated recovery period. 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.

We generated \$34.2 million in cash from operations in the first three months of fiscal 2010 as compared to \$4.4 million in the first three months of fiscal 2009. The increase in cash generated from operations in the first three months of fiscal 2010 over the first three months of fiscal 2009 was primarily due to changes in working capital, especially lower levels of payments of liabilities as fiscal 2009 included payments associated with liabilities assumed in the acquisition of IONA Technologies in 2008 and improved collections of accounts receivable.

A summary of our cash flows from operations for the first quarters of fiscal years 2010 and 2009 is as follows:

<i>(In thousands)</i>	Three Months Ended	
	Feb. 28, 2010	Feb. 28, 2009
Net income (loss)	\$ (1,006)	\$ 3,652
Depreciation, amortization and other noncash charges	15,098	13,529
Tax benefit (deficiency) from stock plans	900	(104)
Changes in operating assets and liabilities	19,256	(12,686)
Total	\$34,248	\$ 4,391

Accounts receivable decreased by \$2.9 million from the end of fiscal 2009. Accounts receivable days sales outstanding, or DSO, decreased four days to 68 days at the end of the first quarter of fiscal 2010 as compared to the end of the first quarter of fiscal 2009 and increased three days from the end of fiscal 2009. We target a DSO range of 60 to 80 days.

On January 8, 2010, we acquired all of the equity interests in Savvion, a privately-held company, through a merger of Savvion with a wholly-owned subsidiary 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 became part of our Enterprise Business Solutions business unit. The acquisition was accounted for as a purchase, and accordingly, the results of operations of Savvion are included in our operating results from the date of acquisition. The purchase price was paid in cash from available funds.

We purchased property and equipment totaling \$1.5 million in the first three months of fiscal 2010 as compared to \$2.1 million in the first three months of fiscal 2009. The purchases consisted primarily of computer equipment and software and building and leasehold improvements.

We purchased and retired approximately 351,000 shares of our common stock for \$10.0 million in the first three months of fiscal 2010 as compared to approximately 101,000 shares of our common stock for \$1.7 million in the first three months of fiscal 2009. We have 646,000 shares available to repurchase under our existing Board of Directors authorized repurchase program which expires on September 30, 2010.

We received \$21.1 million in the first three months of fiscal 2010 from the exercise of stock options and the issuance of shares under our employee stock purchase plan as compared to \$1.4 million in the first three months of fiscal 2009.

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

[Table of Contents](#)

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.

Revenue Backlog — Our aggregate revenue backlog at February 28, 2010 was approximately \$188 million, of which \$161 million was included on our balance sheet as deferred revenue, primarily related to unexpired maintenance and support contracts. At February 28, 2010, the remaining amount of backlog of approximately \$27 million was composed of multi-year licensing arrangements of approximately \$21 million and open software license orders received but not shipped of approximately \$6 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.

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 when revenue is recognized, including when orders are shipped, credit approval, 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.

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.

Legal and Other Regulatory Matters

See discussion regarding legal and other regulatory matters in Part II, Item 1. — Legal Proceedings.

Off-Balance Sheet Arrangements

Our only significant off-balance sheet commitments relate to operating lease obligations. We have no “off-balance sheet arrangements” within the meaning of Item 303(a)(4) of Regulation S-K. Future annual minimum rental lease payments are detailed in Note 11 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended November 30, 2009.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the first three months of fiscal 2010, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our Annual Report on Form 10-K for our fiscal year ended November 30, 2009 for a more complete discussion of the market risks we encounter.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed,

[Table of Contents](#)

summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.* No changes in our internal control over financial reporting occurred during the quarter ended February 28, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. 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.

On January 21, 2010, JuxtaComm Technologies (JuxtaComm) filed a complaint in the Eastern District of Texas against Progress Software, two of our subsidiaries and 19 other defendants, alleging infringement of JuxtaComm's US patent 6,195,662 ("System for Transforming and Exchanging Data Between Distributed Heterogeneous Computer Systems"). In its complaint, JuxtaComm seeks unspecified monetary damages and permanent injunctive relief. We have not yet filed a response to this complaint and we are still in the process of evaluating the complaint. We intend to vigorously defend ourselves.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves certain risks and uncertainties, some of which are beyond our control. In addition to the information provided in this report, please refer to Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended November 30, 2009 for a more complete discussion regarding certain factors that could materially affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Items 2(a) and 2(b) are not applicable.

(c) Stock Repurchases

(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)
December 2009	—	—	—	997
January 2010	253	\$ 28.75	253	744
February 2010	98	\$ 27.79	98	646
Total	351	\$ 28.48	351	646

(1) 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.

Item 6. Exhibits

The following exhibits are filed or furnished as part of this quarterly report on Form 10-Q:

<u>Exhibit No.</u>	<u>Description</u>
10.1*	Separation Agreement, dated as of March 31, 2010, between Progress Software Corporation and Jeffrey Stamen, former Senior Vice President, Corporate Development and Strategy

Table of Contents

<u>Exhibit No.</u>	<u>Description</u>
10.2*	2002 Non-Qualified Stock Plan, amended and restated as of March 18, 2010
10.3*	2004 Inducement Stock Plan, amended and restated as of March 18, 2010
31.1*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act — Richard D. Reidy
31.2*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act — Norman R. Robertson
32.1**	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act

* Filed herewith

** Furnished herewith

SIGNATURES

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

PROGRESS SOFTWARE CORPORATION
(Registrant)

Dated: April 9, 2010

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

Dated: April 9, 2010

/s/ Norman R. Robertson
Norman R. Robertson
Senior Vice President, Finance and
Administration and Chief Financial
Officer (Principal Financial
Officer)

Dated: April 9, 2010

/s/ David H. Benton, Jr.
David H. Benton, Jr.
Vice President and Corporate Controller
(Principal Accounting Officer)

SEPARATION AGREEMENT AND RELEASE

THIS SEPARATION AND RELEASE AGREEMENT (this "Agreement") is made as of the 31st day of March, 2010, between Progress Software Corporation, a Massachusetts corporation (the "Company"), and Jeffrey Stamen (the "Executive").

R E C I T A L S

A. The Executive previously served as an executive officer of the Company.

B. The Company and the Executive have agreed that the employment of the Executive with the Company shall terminate as of March 31, 2010.

C. The Company has agreed to provide the Executive with certain severance benefits in connection with the Executive's termination of employment, as described herein.

D. The Executive accepts the terms of the Agreement.

In consideration of the mutual covenants herein contained and in consideration of the continuing employment of the Executive by the Company, the parties agree as follows.

1. **Termination Date.** The employment of the Executive with the Company shall terminate on March 31, 2010 (the "Termination Date").

2. **Accrued Salary.** The Company will issue a payment to the Executive on the Termination Date equal to the total amount of the Executive's outstanding wages and unused vacation and floating holidays accrued through such date, less applicable deductions and withholdings, in accordance with the Company's regular payroll practices.

3. **Medical and Dental Benefits:** Prior to the Termination Date, as a result of the Executive's change to part-time status, the Executive elected to continue medical and dental coverage by electing COBRA, with the Company paying the COBRA premiums (less the amount the Executive would have otherwise been required to contribute if he had continued on the Company's medical and dental plans as an employee with his current coverage elections).

4. **FY10 Bonus.** The Executive shall remain eligible to receive a pro-rata portion (based on the number of days employed with the Company during FY10) of the Executive's bonus for the fiscal year ended November 30, 2010 pursuant to the Company's Executive and Key Contributor Bonus Program (together, the "Program"), such payment, if any, to be made in accordance with the terms of, and at the time provided in, the Program.

5. **Expense Reimbursement:** The Company will reimburse the Executive for all actual reasonable and customary business expenses incurred by the Executive (in the furtherance of Company business) on or prior to the Termination Date in accordance with the

Company's regular expense reimbursement policies. In order to qualify for reimbursement, reimbursement requests for all such expenses must be submitted by April 15, 2010.

6. Severance Benefits. Upon the Termination Date, the Executive will be entitled to the following, subject to the other terms and conditions of this Agreement:

(a) Salary Continuation. For a period of twelve (12) months after the Termination Date, the Company will continue to pay the Executive's Target Compensation as in effect as of December 10, 2009 in accordance with the Company's normal payroll practices and procedures and subject to all applicable deductions and withholdings. Such payment shall commence on the first payroll date after the Termination Date. Solely for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), each installment payment is considered a separate payment. For purposes of this Paragraph 6(a)(i), the term "Target Compensation" shall mean the total of all fixed (which for this purpose shall mean \$250,000) and variable (which for this purpose shall mean \$180,000) cash compensation due the Executive based upon one hundred percent (100%) attainment of performance levels.

(b) Medical and Dental Benefits. The Company will continue to pay the COBRA premiums in effect as of the Termination Date (less the amount Executive would have otherwise been required to contribute for health benefits if Executive had continued on the Company's medical and dental plans as an employee with Executive's current coverage elections (the "Employee COBRA Payment") until the earlier of (i) twelve (12) months after the Termination Date, or (ii) the date when Executive become eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment (the "COBRA Premium Payment Period"). If Executive continues to be eligible (under Federal law) and chooses to continue COBRA continuation coverage after the COBRA Premium Payment Period ends, Executive will be required to pay the full monthly COBRA Premium in a timely fashion. Although Executive's eligibility for COBRA (as described in the Benefits Information Attachment) is *not* contingent on Executive's execution of this Agreement, the Company's obligation to pay the COBRA premiums in accordance with this paragraph is contingent upon Executive's execution of this Agreement. Note that all cost allocations and calculations required by this paragraph will be made in accordance with the American Recovery and Reinvestment Act of 2009.

(c) Stock Options. All unvested stock options held by the Executive which were granted prior to the Termination Date under the Company's stock option plans which would otherwise vest and become fully exercisable during the one year period following the Termination Date shall instead accelerate and become fully exercisable as of the Termination Date. The vesting of all other outstanding stock options shall cease immediately as of the Termination Date. Unvested options will be cancelled on the Termination Date. Vested options must be exercised on or before December 31, 2010. Vested but unexercised options will be cancelled on January 1, 2011.

(d) Restricted Stock Units. All shares of restricted equity held by the Executive which were granted prior to the Termination Date under the Company's stock option plans which would otherwise become nonforfeitable and not subject to any restrictions

during the one year period following the Termination Date shall instead become nonforfeitable and not subject to any restrictions as of the Termination Date

(e) Outplacement. Executive is entitled to outplacement services, at the Company's expense, as further described in the Keystone materials to be provided you on the Termination Date. The Keystone program for which the Executive qualifies is entitled "Career Transition."

(f) Other Benefits: Except as otherwise expressly stated in this Agreement or the Benefits Information Attachment to be provided you on the Termination Date, all of Executive's benefits as an employee of the Company will terminate as of the Termination Date.

7. Covenants of the Executive. In consideration for, among other things, the severance and other payments provided in this Agreement, Executive agrees to the following covenants.

(a) Return and Protection of Company Property. Executive agrees to return to the Company all Company documents and property (except as set forth above) no later than five (5) days after the Termination Date and to abide by the terms of his Employee Proprietary Information and Confidentiality Agreement signed as of September 8, 2004 (the "Proprietary Information Agreement").

(b) Cooperation. Executive agrees to make himself available to the Company after the Termination Date either by telephone or in person upon reasonable notice and with reasonable accommodation to the Executive's personal and business affairs, to assist the Company in connection with any matter relating to services performed by Executive on behalf of the Company prior to the Termination Date. The Executive, also upon reasonable notice and with reasonable accommodation to his personal and business affairs, further agrees to cooperate with the Company in the defense or prosecution of any claims or actions now in existence or which may be brought or threatened in the future against or on behalf of the Company, its directors, shareholders, officers, or employees and which relates to the aforesaid services, including without limitation, by meeting with the Company's counsel and appearing to testify truthfully in any proceeding without the necessity of a subpoena. The Company shall reimburse the Executive for his reasonable documented travel expenses incurred in connection with such cooperation. Notwithstanding the aforesaid, the Executive's obligations set forth above shall not apply to any matter in which the Executive's interests are materially adverse to those of the Company. Reimbursements of expenses shall be paid within thirty (30) days of the Company's receipt of an invoice from the Executive or his designee for the same. Any reimbursement in one calendar year shall not affect the amount that may be reimbursed in any other calendar year and a reimbursement (or right thereto) may not be exchanged or liquidated for another benefit or payment. Any business expense reimbursements subject to Section 409A of the Code shall be made no later than the end of the calendar year following the calendar year in which such business expense is incurred by Executive. The Executive shall submit any such expense requests in a sufficiently timely manner so as to permit the Company to comply with the previous sentence.

(c) Non-Competition.

(i) Executive recognizes the highly competitive nature of the Company's business and that Executive's position with the Company and access to and use of the Company's confidential records and proprietary information renders the Executive special and unique. Executive hereby agrees that for a period of one (1) year from the Termination Date (the "Restricted Period"), he shall not, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, independent contractor, stockholder, member, partner, consultant, advisor, agent, proprietor, trustee or investor, any Competing Business (as defined below); *provided*, however, that (i) ownership of two percent (2%) or less of the stock or other securities of a publicly traded corporation and (ii) passive ownership of less than a five percent (5%) interest as a limited partner of a venture capital fund, private equity fund or similar investment vehicle or ownership of shares in a mutual fund shall not constitute a breach of this Section, in each case under this clause (ii), with respect to which the Executive has no role in the review, selection or management of any investments. For purposes hereof, the term, "Competing Business," shall mean IBM/WebSphere Unit, Tibco, Informatica, Software AG and Oracle and, in each case, their respective subsidiaries.

(ii) Notwithstanding the foregoing, if the Executive seeks employment with any subsidiary, division, affiliate or unit of a Competing Business (a "Related Unit") and if that Related Unit does not compete with the Company or any subsidiary or other affiliate (a "Noncompeting Related Unit"), the Executive may request a waiver of this Section 7(c) with respect to employment with such Noncompeting Related Unit. The Company shall not unreasonably withhold its agreement to such a waiver; *provided* that in no event may the Executive, engage in or assist in the activities of any Related Unit that competes with the Company or any subsidiary or other affiliate at any time during the Restricted Period.

(iii) Executive acknowledges that the business of the Company is worldwide in scope and therefore understands and agrees that there is no geographic limitation on the scope of this Section 7(c). Executive further agrees that the nature of the Company's confidential information and the goodwill relationship that were developed for the Company during the Executive's employment support the continuation of the restrictions pursuant to this Section for one (1) year. Notwithstanding the foregoing, if a court determines that the geographic scope of this Section or the length of the Restricted Period is excessive, the parties agree that this Section should be enforced to the maximum extent that the court determines to be permissible.

(iv) The parties agree that, throughout his employment with the Company, the Executive has been obligated to render personal services of a special, unique, unusual, extraordinary and intellectual character, thereby giving this Agreement special value, and, in the event of a breach or threatened breach of the covenants of the Executive in this Section 7, the injury or imminent injury to the value and the goodwill of the Company's business could not be reasonably or adequately compensated in damages in an action at law. Accordingly, the Executive acknowledges that, in addition to any other remedies that may be

awarded, the Company shall be entitled to specific performance, injunctive relief or any other equitable remedy against the Executive, without the posting of a bond, in the event of any breach or threatened breach of any provision of this Agreement by the Executive. In addition, in the event the Executive breaches or threatens to breach this Section 7 of this Agreement, such breach or threatened breach will entitle the Company, without posting of a bond, to an injunction prohibiting the Executive from violating the terms of this Section 7.

(d) Non-Disparagement. Executive agrees that during the Restricted Period, except as required by law or to enforce the terms of this Agreement, Executive shall not make any disparaging statements about the Company (including for these purposes any subsidiary or affiliate), its officers, directors, employees, products or services. For purposes of this Agreement, statements in the course of testimony in a legal or regulatory proceeding or in response to an inquiry by a governmental or other regulatory entity shall be considered to be “required by law.”

(e) Release.

(i) In consideration of the severance and other benefits provided hereunder, Executive, on behalf of himself and his heirs, administrators, executors, successors and assigns, hereby voluntarily releases and forever discharges the Company, its past, present and future subsidiaries and affiliates, and its and their respective past, present and future directors, officers, agents, shareholders, attorneys and employees and all of their respective heirs, successors, predecessors, and assigns, (collectively the “Releasees”) of and from any and all claims, suits, liabilities, demands, debts, damages, costs, obligations, agreements and causes of action of any kind whatsoever, at law, in equity or otherwise known or unknown, or on any other basis which Executive has or may have, either now or at any time before now, against the Company, including but not limited to any claims based on Executive’s employment with the Company or the termination of Executive’s employment with the Company or any other relation with the Company, any claims of wrongful discharge, any claims of intentional or negligent misrepresentation, any claims of discrimination, any claims under the Worker Adjustment and Retraining Notification Act (WARN) of 1988, the Equal Pay Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, federal Family and Medical Leave Act; the federal Sarbanes-Oxley Act; and any claims under the common law or any statute including, without implication of limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act, the Rehabilitation Act of 1973, the Massachusetts Fair Employment Practices Act, Mass. Gen. Laws ch. 151B, § 1 et seq., the Massachusetts Civil Rights Act, Mass. Gen. Laws ch.12, § 11H et seq., the Massachusetts Equal Rights Act, Mass. Gen. Laws ch. 93, § 102 and Mass. Gen. Laws ch. 214, § 1C, the Massachusetts Labor and Industries Act, Mass. Gen. Laws ch. 149, § 1 et seq., the Massachusetts Privacy Act, Mass. Gen. Laws ch. 214, § 1B et seq., and the Massachusetts Family and Medical Leave Act, Mass. Gen. Laws ch. 149, § 52D et seq., as these statutes have been from time to time amended, and any and all other federal, state, county or local ordinances, statutes or regulations, all as may be amended, and any other claim relating to or arising out of Executive’s employment with or separation from the Company. Executive also hereby waives any claim for attorneys’ fees or costs and any claim for reinstatement. Further, except for benefits under any Company benefit plans that have

vested or will vest according to the terms of those plans, the Company does not have, and shall not have, any obligation to provide Executive with any payments, benefits, or consideration other than the payments set forth in this Agreement. This release, however, does not apply to Executive's right to seek enforcement of the terms of this Agreement.

(ii) Notwithstanding the generality of the preceding paragraph, the above release and waiver of claims applies only to the extent permitted by law and, in the event any charge or claim is permitted by law, Executive expressly waives his right to recover any relief, damages, and/or monetary benefit as a result of any such charge or claim.

(iii) Nothing in this Agreement shall prohibit or restrict Executive from (a) providing information to, or otherwise assisting in, an investigation by the Massachusetts Commission Against Discrimination ("MCAD"), the United States Congress, the Securities and Exchange Commission ("SEC"), the Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB") or any other federal regulatory or law enforcement agency or self-regulatory organization ("SRO") and/or (b) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the MCAD, SEC, EEOC, NLRB or any SRO.

(iv) Executive represents and warrants that he has received all leave (paid or unpaid), compensation, wages, bonuses, commissions, and/or benefits to which he may be entitled and that no other leave (paid or unpaid), compensation, wages, bonuses, commissions, and/or benefits are due to Executive, except as provided in this Agreement. Executive furthermore affirms that he has no known workplace injuries or occupational diseases and have not been denied any leave requested under the Family and Medical Leave Act.

(v) Executive hereby acknowledges that he has been given a reasonable time to consider this Agreement before executing it. If this Agreement is not signed by Executive and returned to the Company so that the Company receives it no later than the close of business on April 21, 2010, then the severance benefits provided in this Agreement will not be provided to Executive by the Company. In the event that Executive executes and returns this Agreement by April 21, 2010, acknowledges that such decision was entirely voluntary and that he had the opportunity to consider the terms and conditions set forth in this Agreement for the entire period, then the severance benefits provided in this Agreement will be provided to Executive by the Company.

(vi) Except as expressly set forth in this Agreement, no representations of any kind or character have been made to Executive by the Company, or by any of their respective directors, officers, employees, representatives, or attorneys, to induce the execution of this release. Executive further acknowledges that the only representations made to Executive in order to obtain my consent to this Agreement are set forth in this Agreement, and that Executive is signing this Agreement voluntarily and without coercion, intimidation or threat of retaliation. **Executive further acknowledges that he has been advised to consult with an attorney before signing this Agreement and that he has had**

an opportunity to seek the advice of legal counsel and that the terms of this release have been completely read by Executive and that those terms are fully understood by Executive.

8. Successors

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) or to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (a) which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of the Executive's hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. Notice. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him or her at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its General Counsel.

10. Miscellaneous Provisions

(a) No Duty to Mitigate. The Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that the Executive may receive from any other source.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision of the same condition or provision at another time.

(c) Entire Agreement. Except with respect to the terms of any written employment agreement, if any, by and between the Company and the Executive that is signed on behalf of the Company, no agreements, representations or understandings (whether oral or

written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts.

(e) Severability. The invalidity or enforceability of any provisions or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by final and binding arbitration in Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. In the event the Executive prevails in an action or proceeding brought to enforce the terms of this Agreement or to enforce and collect on any non-de minimis judgment entered pursuant to this Agreement, the Executive shall be entitled to recover all costs and reasonable attorney's fees.

(g) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection (g) shall be void.

(h) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(i) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of the assignment. In the case of any such assignment, the term "Company" when used in a section of the Agreement shall mean the corporation that actually employs the Executive.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the date first above written.

PROGRESS SOFTWARE CORPORATION

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

JEFFREY STAMEN

/s/Jeffrey Stamen

PROGRESS SOFTWARE CORPORATION**2002 NONQUALIFIED STOCK PLAN****(Reflecting amendments thru March 18, 2010)****SECTION 1. General Purpose of the Plan; Definitions**

The name of the plan is the Progress Software Corporation 2002 Nonqualified Stock Plan (the "Plan"). The purpose of the Plan is to encourage and enable employees of Progress Software Corporation, a Massachusetts corporation (the "Company"), and its Subsidiaries to acquire a proprietary interest in the Company. It is anticipated that providing employees with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company. The Company intends that this purpose will be effected by the granting of Awards (as defined below) under the Plan.

The following terms shall be defined as set forth below:

"Affiliate" means any company in an "affiliated group," as such term is defined in Section 1504(a) of the Code, which includes the Company.

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

"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.

"Committee" shall mean the Board or, if appointed by the Board, a committee of not less than two (2) directors. It is the intention of the Company that the Plan shall be administered by "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, but the authority and validity of any act taken or not taken by the

Committee shall not be affected if any director administering the Plan is not a non-employee director.

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

“Effective Date” means the date on which the Plan is adopted by the Board 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 the Nasdaq Stock Market, or, if the Stock is not quoted by the Nasdaq Stock Market, the fair market value of the Stock as determined by the Committee.

“Non-Statutory Stock Option” means any stock option that is not an incentive stock option as defined in Section 422 of the Code.

“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.

“Officer” means an officer as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended.

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

“Restricted Stock” shall have the meaning set forth in Section 6.

“Restricted Stock Award” means an Award granted pursuant to Section 6.

“Stock” means the common stock, \$0.01 par value per share, of the Company, subject to adjustments pursuant to Section 3.

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

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

“Unrestricted Stock Award” means an award 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 the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum, and all actions of the Committee shall require the affirmative vote of a majority of its members. Any action may be taken by a written instrument signed by all of the members, and any action so

taken shall be as fully effective as if it had been taken by a vote of a majority of the members at a meeting duly called and held. 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 and modify Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the persons 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 Non-Statutory Stock Options, Restricted Stock, Unrestricted Stock and Performance Shares, 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; *provided, however,* that no such action shall adversely affect rights under any outstanding Award without the participant's consent;

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

(vi) subject to the provisions of Section 5(b), to extend the period in which any outstanding Stock Option may be exercised;

(vii) 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;

(viii) to delegate to other persons the responsibility for performing ministerial actions in furtherance of the Plan's purpose; 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 may be granted under the Plan, subject to adjustment upon changes in capitalization of the Company as provided in this Section 3, shall be six million five hundred thousand (6,500,000) shares of Stock. For purposes of this limitation, if any shares of Stock covered by an Award granted under the Plan, or to which such an Award relates, are repurchased or forfeited, or if an Award has expired, terminated or been canceled for any reason whatsoever (other than by reason of exercise or vesting), then such shares of Stock or the shares of Stock covered by such Award, as the case may be, shall be added back to the shares of Stock with respect to which Awards may be granted under the Plan. Subject to such overall limitation, any type or types of Award may be granted with respect to shares of Stock. Shares of Stock issued under the Plan may be authorized but unissued shares or shares reacquired by the Company.

(b) *Stock Dividends, Mergers, etc.* In the event that 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 Section 3(a) 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 the 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).

(c) *Substitute Awards.* The Committee may grant Awards under the Plan by assumption of or in substitution for stock and stock-based awards granted or issued by another company to its directors, officers, employees, consultants and other service providers if such persons become Eligible Persons in connection with an acquisition of that company or any division thereof by the Company, whether by merger, consolidation, purchase of stock, purchase of assets or otherwise. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances. Shares which may be delivered under such substitute awards may be in addition to the maximum number of shares provided for in Section 3(a).

(d) *Effect of Awards.* From and after March 18, 2010, the grant of any full value Award (i.e., an Award other than a Stock Option) shall be deemed, for purposes of determining the number of shares of Stock available for issuance under Section 3(a), as an Award of 2.25 shares of Stock for each such share of Stock actually subject to the Award. The grant of a Stock Option shall be deemed, for purposes of determining the number of shares of Stock available for issuance under Section 3(a), as an Award for one share of Stock for each such share of Stock actually subject to the Award.

SECTION 4. Eligibility

Awards may be granted to employees of the Company or its Subsidiaries, and to 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 Board and Officers are not eligible to receive Awards under the Plan.

SECTION 5. Stock Options

The Committee may grant Stock Options to Eligible Persons pursuant to the Plan. Any Stock Option granted under the Plan shall be in writing and in such form as the Committee may from time to time approve. Stock Options granted under the Plan shall be Non-Statutory Stock Options.

The Committee in its discretion may determine the effective date of Stock Options. Stock Options granted pursuant to this Section 5 shall be subject to the following terms and conditions and the terms and conditions of Section 9 and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) *Exercise Price.* The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 shall be determined by the Committee at the time of grant; *provided, however*, that the exercise price shall not be less than Fair Market Value on the date of grant.

(b) *Option Term.* The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than ten (10) years after the date the Stock Option is granted, except that no Stock Option granted after March 18, 2010 shall be exercisable more than seven (7) years after the date the Stock Option is granted.

(c) *Exercisability; Rights of a Stockholder.* Stock Options shall become vested and exercisable at such time or times, whether or not in installments, and upon such conditions, 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 stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(d) *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:

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

(ii) with the consent of the Committee, in the form of shares of Stock owned by the optionee for a period of at least six (6) months and not then subject to restrictions. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(iii) with the consent of the Committee, 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. The Company need not act upon such exercise notice until the Company receives full payment of the exercise price; or

(iv) by any other means (including, without limitation, by delivery of a promissory note of the optionee payable on such terms as are specified by the Committee; *provided, however,* that the interest rate borne by such note shall not be less than the lowest applicable federal rate, as defined in Section 1247(d) of the Code) which the Committee determines are consistent with the purpose of the Plan and with applicable laws and regulations.

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 imposed by applicable laws and regulations, as determined by the Committee in its sole discretion.

(e) *Transferability of Options.* No Stock Option shall be transferable by the optionee otherwise 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 or his or her legal representative; provided, however, that the Committee may, in the manner established by the Committee, permit the transfer, without payment of consideration, of a Non-Statutory Stock Option by an optionee to a member of the optionee's immediate family or to a trust or partnership whose beneficiaries are members of the optionee's immediate family; and such transferee shall remain subject to all the terms and conditions applicable to the option prior to the transfer. For purposes of this provision, an optionee's "immediate family" shall mean the holder's spouse, children and grandchildren.

(f) *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 or in the terms of such Stock Option.

SECTION 6. *Restricted Stock Awards*

(a) *Nature of Restricted Stock Award.* The Committee in its discretion may grant Restricted Stock Awards to any Eligible Person, entitling the recipient to acquire, for a purchase price determined by the Committee (but not less than Fair Market Value on the date of grant), shares of Stock subject to such restrictions and conditions as the Committee may determine at the time of grant ("Restricted Stock"), including continued employment and/or achievement of pre-established performance goals and objectives.

(b) *Acceptance of Award.* A participant who is granted a Restricted Stock Award shall have no rights with respect to such Award unless the participant shall have accepted the Award within ten (10) days (or such shorter date as the Committee may specify) following the delivery of written notice to the participant of the Award by making payment to the Company of the specified purchase price 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 applicable to the Restricted Stock in such form as the Committee shall determine.

(c) *Rights as a Stockholder.* Upon complying with Section 6(b) above, a participant shall have all the rights of a stockholder with respect to the Restricted Stock, including voting and dividend rights, subject to non-transferability restrictions and Company repurchase rights described in this Section 6 and subject to such other conditions contained in the written instrument evidencing the Restricted Stock Award. Unless the Committee shall otherwise determine, certificates evidencing shares of Restricted 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 Restricted 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 with or services to the Company and its Subsidiaries for any reason (including death, Disability, Normal Retirement, and voluntary termination by the participant), the Company shall have the right, at the discretion of the Committee, to repurchase shares of Restricted Stock with respect to which conditions have not lapsed at their purchase price from the participant or the participant's legal representative. The Company must exercise such right of repurchase within sixty (60) days following such termination of employment (unless otherwise specified in the written instrument evidencing the Restricted Stock Award).

(e) *Vesting of Restricted 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 Restricted Stock and the Company's right of repurchase shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed "vested." Subject to Section 12, the Committee at any time may accelerate such date or dates and otherwise waive or amend any conditions of the Award.

(f) *Waiver, Deferral and Reinvestment of Dividends.* The written instrument evidencing the Restricted 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 to any Eligible Person shares of Stock free of any restrictions under the Plan ("Unrestricted Stock") at a purchase price determined by the Committee. 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) *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 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. 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, the conditions under which such Award shall terminate, and all other limitations and conditions applicable to the awarded Performance Shares.

SECTION 9. *Termination of Stock Options*

(a) Standard Termination Provisions. Stock Options shall terminate and no portion will be exercisable on the earliest to occur of the following:

(i) Expiration Date. The expiration date of such Stock Option as specified in the option grant certificate.

(ii) Termination by Death. If the participant ceases to be an employee of the Company or its Subsidiaries on account of death, 24 months from the employment termination date, or 10 days after the end of the blackout period in effect during such post-termination period, if later, if such participant's estate or beneficiary is subject to such blackout.

(iii) Termination by Reason of Disability. If the participant ceases to be an employee of the Company or a Subsidiary on account of Disability, 12 months from the employment termination date, or 10 days after the end of the blackout period in effect during such post-termination period, if later, if such participant is subject to such blackout.

(iv) Termination for Cause. If the participant's employment with the Company or a Subsidiary is terminated for Cause, the employment termination date.

(v) Other Termination. If the participant's employment is terminated in all other circumstances, 90 days after the employment termination date or 10 days after the end of the blackout period in effect during such post-termination period, if later, if such participant is subject to such blackout.

(b) Post-Termination Exercise Period. During the post-termination exercise period, the participant may exercise only the portion of Stock Options exercisable on the employment termination date, and the portion of Stock Options that is not exercisable on the employment termination date shall be automatically forfeited on the employment termination date. If the participant's employment terminates on account of death or Disability, Stock Options shall

become immediately and fully vested and exercisable.

(c) Committee Discretion. Notwithstanding the foregoing, the Committee may grant Stock Options under the Plan which contain such terms and conditions with respect to termination as the Committee, in its discretion, may from time to time determine.

SECTION 10. 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 the payment of, any Federal, state, local or other 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*. A participant may elect, with the consent of the Committee, 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 minimum withholding amount due with respect to such Award, or (ii) transferring to the Company shares of Stock owned by the participant for a period of at least six (6) months and with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due with respect to such Award.

SECTION 11. Transfer, Leave of Absence, Etc.

For purposes of the Plan, a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another, shall not be deemed a termination of employment. Whether authorized leave of absence, or absence on military or government service, shall constitute termination of the employment relationship between the Company and the participant shall be determined by the Committee at the time thereof.

SECTION 12. Amendments and Termination

The Board may at any time amend or discontinue the Plan in any manner allowed by law and the Committee may at any time, subject to Section 2, amend or cancel any outstanding Award (or provide substitute Awards) 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.

SECTION 13. Status of Plan

With respect to the portion of any Award that has not been exercised, 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 14. Lockup Agreement

The acceptance of any Award under this Plan by the participant or any subsequent holder shall constitute the agreement of such person that, upon the request of the Company or the underwriters managing any underwritten offering of the Company's securities, such person will not, for a period of time (not to exceed one hundred eighty (180) days) following the effective date of any registration statement filed by the Company under the Securities Act of 1933, as amended, sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares of Stock received pursuant to such Award, without the prior written consent of the Company or such underwriters, as the case may be, and that such person will execute and deliver to the Company or such underwriters a written agreement to that effect, in such form as the Company or such underwriters shall designate.

SECTION 15. Change in Control

(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 shareholders 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, 1997, 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, 1997 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 shareholders 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 shareholders 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, in such form as the Committee shall in its sole discretion deem advisable.

No shares of Stock shall be issued pursuant to an Award until, in the opinion of the Committee, all applicable securities laws 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 its adoption by the Board.

SECTION 18. *Governing Law*

This Plan and each Award under the 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.

PROGRESS SOFTWARE CORPORATION

2004 INDUCEMENT STOCK PLAN

(Reflecting amendments thru March 18, 2010)

SECTION 1. General Purpose of the Plan; Definitions. The name of the plan is the Progress Software Corporation 2004 Inducement Stock Plan (the "Plan"). The purpose of the Plan is to encourage and enable employees of Progress Software Corporation, a Massachusetts corporation (the "Company"), and its Subsidiaries to acquire a proprietary interest in the Company. It is anticipated that providing employees with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company. The Company intends that the Plan be reserved for persons to whom the Company may issue securities without stockholder approval as an inducement pursuant to Rule 4350(i)(1)(A)(iv) of the Marketplace Rules of the Nasdaq Stock Market, Inc. The Company intends that this purpose will be effected by the granting of Awards (as defined below) under the Plan.

The following terms shall be defined as set forth below:

"Affiliate" means any company in an "affiliated group," as such term is defined in Section 1504(a) of the Code, which includes the Company.

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

"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.

"Committee" shall mean the Board or, if appointed by the Board, a committee of not less than two (2) directors. It is the intention of the Company that the Plan shall be administered by "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act

of 1934, as amended, but the authority and validity of any act taken or not taken by the Committee shall not be affected if any director administering the Plan is not a non-employee director.

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

“Effective Date” means the date on which the Plan is adopted by the Board as set forth in Section 17.

“Eligible Persons” 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 the Nasdaq Stock Market, or, if the Stock is not quoted by the Nasdaq Stock Market, the fair market value of the Stock as determined by the Committee.

“Non-Statutory Stock Option” means any stock option that is not an incentive stock option as defined in Section 422 of the Code.

“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.

“Officer” means an officer as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended.

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

“Restricted Stock” shall have the meaning set forth in Section 6.

“Restricted Stock Award” means an Award granted pursuant to Section 6.

“Stock” means the common stock, \$0.01 par value per share, of the Company, subject to adjustments pursuant to Section 3.

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

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

“Unrestricted Stock Award” means an award 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 the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum, and all actions of the Committee shall require the affirmative vote of a majority of its members. Any

action may be taken by a written instrument signed by all of the members, and any action so taken shall be as fully effective as if it had been taken by a vote of a majority of the members at a meeting duly called and held. 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 and modify Awards consistent with the terms of the Plan, including the power and authority:

- (i) to select the persons 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 Non-Statutory Stock Options, Restricted Stock Awards, Unrestricted Stock Awards and Performance Share Awards, 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; provided, however, that no such action shall adversely affect rights under any outstanding Award without the participant's consent;
- (v) to accelerate the exercisability or vesting of all or any portion of any Award;
- (vi) subject to the provisions of Section 5(b), to extend the period in which any outstanding Stock Option may be exercised;
- (vii) 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;
- (viii) to delegate to other persons the responsibility for performing ministerial actions in furtherance of the Plan's purpose; 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 may be granted under the Plan, subject to adjustment upon changes in capitalization of the Company as provided in this Section 3, shall be 1,000,000 shares of Stock. For purposes of this limitation, if any shares of Stock covered by an Award granted under the Plan, or to which such an Award relates, are repurchased or forfeited, or if an Award has expired, terminated or been canceled for any reason whatsoever (other than by reason of exercise or vesting), then such shares of Stock or the shares of Stock covered by such Award, as the case may be, shall be added back to the shares of Stock with respect to which Awards may be granted under the Plan. Subject to such overall limitation, any type or types of Award may be granted with respect to shares of Stock. Shares of Stock issued under the Plan may be authorized but unissued shares or shares reacquired by the Company.

(b) Stock Dividends, Mergers, etc. In the event that 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 Section 3(a) 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 the 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).

(c) Substitute Awards. The Committee may grant Awards under the Plan by assumption of or in substitution for stock and stock-based awards granted or issued by another company to its directors, officers, employees, consultants and other service providers if such persons become Eligible Persons in connection with an acquisition of that company or any division thereof by the Company, whether by merger, consolidation, purchase of stock, purchase of assets or otherwise. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances. Shares which may be delivered under such substitute awards may be in addition to the maximum number of shares provided for in Section 3(a).

(d) Effect of Awards. From and after March 18, 2010, the grant of any full value Award (i.e., an Award other than a Stock Option) shall be deemed, for purposes of determining the number of shares of Stock available for issuance under Section 3(a), as an Award of 2.25 shares of Stock for each such share of Stock actually subject to the Award. The grant of a Stock Option shall be deemed, for purposes of determining the number of shares of Stock available for

issuance under Section 3(a), as an Award for one share of Stock for each such share of Stock actually subject to the Award.

SECTION 4. Eligibility. Awards may be granted only to persons to whom the Company may issue securities without stockholder approval in accordance with Rule 4350(i)(1)(A)(iv) of the Marketplace Rules of the Nasdaq Stock Market, Inc. ("Eligible Persons"), provided, however, that members of the Board and Officers are not eligible to receive Awards under the Plan.

SECTION 5. Stock Options. The Committee may grant Stock Options to Eligible Persons pursuant to the Plan. Any Stock Option granted under the Plan shall be in writing and in such form as the Committee may from time to time approve. Stock Options granted under the Plan shall be Non-Statutory Stock Options.

The Committee in its discretion may determine the effective date of Stock Options. Stock Options granted pursuant to this Section 5 shall be subject to the following terms and conditions and the terms and conditions of Section 9 and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) Exercise Price. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 shall be determined by the Committee at the time of grant; provided, however, that the exercise price shall not be less than Fair Market Value on the date of grant.

(b) Option Term. The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than ten (10) years after the date the Stock Option is granted, except that no Stock Option granted after March 18, 2010 shall be exercisable more than seven (7) years after the date the Stock Option is granted.

(c) Exercisability; Rights of a Stockholder. Stock Options shall become vested and exercisable at such time or times, whether or not in installments, and upon such conditions, 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 stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(d) 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:

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

(ii) with the consent of the Committee, in the form of shares of Stock owned by the optionee for a period of at least six (6) months and not then subject to restrictions. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(iii) with the consent of the Committee, 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. The Company need not act upon such exercise notice until the Company receives full payment of the exercise price; or

(iv) by any other means (including, without limitation, by delivery of a promissory note of the optionee payable on such terms as are specified by the Committee; provided, however, that the interest rate borne by such note shall not be less than the lowest applicable federal rate, as defined in Section 1247(d) of the Code) which the Committee determines are consistent with the purpose of the Plan and with applicable laws and regulations.

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 imposed by applicable laws and regulations, as determined by the Committee in its sole discretion.

(e) Transferability of Options. No Stock Option shall be transferable by the optionee otherwise 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 or his or her legal representative; provided, however, that the Committee may, in the manner established by the Committee, permit the transfer, without payment of consideration, of a Non-Statutory Stock Option by an optionee to a member of the optionee's immediate family or to a trust or partnership whose beneficiaries are members of the optionee's immediate family; and such transferee shall remain subject to all the terms and conditions applicable to the option prior to the transfer. For purposes of this provision, an optionee's "immediate family" shall mean the holder's spouse, children and grandchildren.

(f) 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 or in the terms of such Stock Option.

SECTION 6. Restricted Stock Awards.

(a) Nature of Restricted Stock Award. The Committee in its discretion may grant Restricted Stock Awards to any Eligible Person, entitling the recipient to acquire, for a purchase price determined by the Committee (but not less than Fair Market Value on the date of grant), shares of Stock subject to such restrictions and conditions as the Committee may determine at the time of grant ("Restricted Stock"), including continued employment and/or achievement of pre-established performance goals and objectives.

(b) Acceptance of Award. A participant who is granted a Restricted Stock Award shall have no rights with respect to such Award unless the participant shall have accepted the Award within ten (10) days (or such shorter date as the Committee may specify) following the delivery of written notice to the participant of the Award by making payment to the Company of the specified purchase price 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 applicable to the Restricted Stock in such form as the Committee shall determine.

(c) Rights as a Stockholder. Upon complying with Section 6(b) above, a participant shall have all the rights of a stockholder with respect to the Restricted Stock, including voting and dividend rights, subject to non-transferability restrictions and Company repurchase rights described in this Section 6 and subject to such other conditions contained in the written instrument evidencing the Restricted Stock Award. Unless the Committee shall otherwise determine, certificates evidencing shares of Restricted 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 Restricted 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 with or services to the Company and its Subsidiaries for any reason (including death, Disability, Normal Retirement, and voluntary termination by the participant), the Company shall have the right, at the discretion of the Committee, to repurchase shares of Restricted Stock with respect to which conditions have not lapsed at their purchase price from the participant or the participant's legal representative. The Company must exercise such right of repurchase within sixty (60) days following such termination of employment (unless otherwise specified in the written instrument evidencing the Restricted Stock Award).

(e) Vesting of Restricted 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 Restricted Stock and the Company's right of repurchase shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed "vested." Subject to Section 12, the Committee at any time may accelerate such date or dates and otherwise waive or amend any conditions of the Award.

(f) Waiver, Deferral and Reinvestment of Dividends. The written instrument evidencing the Restricted 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 to any Eligible Person shares of Stock free of any restrictions under the Plan ("Unrestricted Stock") at a purchase price determined by the Committee. 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) 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 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. 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, the conditions under which such Award shall terminate, and all other limitations and conditions applicable to the awarded Performance Shares.

SECTION 9. Termination of Stock Options.

(a) Standard Termination Provisions. Stock Options shall terminate and no portion will be exercisable on the earliest to occur of the following:

(i) Expiration Date. The expiration date of such Stock Option as specified in the option grant certificate.

(ii) Termination by Death. If the participant ceases to be an employee of the Company or its Subsidiaries on account of death, 24 months from the employment termination date, or 10 days after the end of the blackout period in effect during such post-termination period, if later, if such participant's estate or beneficiary is subject to such blackout.

(iii) Termination by Reason of Disability. If the participant ceases to be an employee of the Company or a Subsidiary on account of Disability, 12 months from the employment termination date, or 10 days after the end of the blackout period in effect during such post-termination period, if later, if such participant is subject to such blackout.

(iv) Termination for Cause. If the participant's employment with the Company or a Subsidiary is terminated for Cause, the employment termination date.

(v) Other Termination. If the participant's employment is terminated in all other circumstances, 90 days after the employment termination date or 10 days after the end of the blackout period in effect during such post-termination period, if later, if such participant is subject to such blackout.

(b) Post-Termination Exercise Period. During the post-termination exercise period, the participant may exercise only the portion of Stock Options exercisable on the employment termination date, and the portion of Stock Options that is not exercisable on the employment termination date shall be automatically forfeited on the employment termination date. If the participant's employment terminates on account of death or Disability, Stock Options shall become immediately and fully vested and exercisable.

(c) Committee Discretion. Notwithstanding the foregoing, the Committee may grant Stock Options under the Plan which contain such terms and conditions with respect to termination as the Committee, in its discretion, may from time to time determine.

SECTION 10. 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 the payment of, any Federal, state, local or other 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. A participant may elect, with the consent of the Committee, 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 minimum withholding amount due with respect to such Award, or (ii) transferring to the Company shares of Stock owned by the participant for a period of at least six (6) months and with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due with respect to such Award.

SECTION 11. Transfer, Leave of Absence, Etc. For purposes of the Plan, a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another, shall not be deemed a termination of employment. Whether authorized leave of absence, or absence on military or government service, shall constitute termination of the employment relationship between the Company and the participant shall be determined by the Committee at the time thereof.

SECTION 12. Amendments and Termination. The Board may at any time amend or discontinue the Plan in any manner allowed by law and the Committee may at any time, subject to Section 2, amend or cancel any outstanding Award (or provide substitute Awards) 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.

SECTION 13. Status of Plan. With respect to the portion of any Award that has not been exercised, 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 14. Lockup Agreement. The acceptance of any Award under this Plan by the participant or any subsequent holder shall constitute the agreement of such person that, upon the request of the Company or the underwriters managing any underwritten offering of the

Company's securities, such person will not, for a period of time (not to exceed one hundred eighty (180) days) following the effective date of any registration statement filed by the Company under the Securities Act of 1933, as amended, sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares of Stock received pursuant to such Award, without the prior written consent of the Company or such underwriters, as the case may be, and that such person will execute and deliver to the Company or such underwriters a written agreement to that effect, in such form as the Company or such underwriters shall designate.

SECTION 15. Change in Control.

(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 or Performance Share Award 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 and Performance Share Award, effective upon a date prior or subsequent to the effective date of such Change of Control, specified by the Committee;

(iii) the Committee may waive all conditions and restrictions on, each Restricted Stock Award and Unrestricted Stock Award, effective upon a date prior or subsequent to the effective date of such Change of Control, specified by the Committee; or

(iv) each outstanding Stock Option and Performance Share Award 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 shareholders 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, 1997, 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, 1997 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 shareholders 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 shareholders 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, in such form as the Committee shall in its sole discretion deem advisable.

No shares of Stock shall be issued pursuant to an Award until, in the opinion of the Committee, all applicable securities laws 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 its adoption by the Board.

SECTION 18. Governing Law. This Plan and each Award under the 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.

CERTIFICATION

I, Richard D. Reidy, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure 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: April 9, 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 quarterly report on Form 10-Q 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure 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: April 9, 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 Quarterly Report on Form 10-Q of Progress Software Corporation (the Company) for the three months ended February 28, 2010, 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: April 9, 2010

Date: April 9, 2010