



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

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**SCHEDULE TO/A**

Tender Offer Statement under Section 14(d)(1) or 13(e)(1)  
of the Securities Exchange Act of 1934  
(Amendment No. 1)

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**Progress Software Corporation**

*(Name of Subject Company (Issuer))*

**Progress Software Corporation**

*(Name of Filing Person (Issuer and Offeror))*

Options to Purchase Shares of Common Stock, Par Value \$0.01 Per Share  
*(Title of Class of Securities)*

**Not applicable**

*(CUSIP Number of Class of Securities)*

**Joseph W. Alsop**  
**Progress Software Corporation**  
**14 Oak Park**  
**Bedford, Massachusetts 01730**  
**(781) 280-4000**

*(Name, address, and telephone numbers of person authorized  
to receive notices and communications on behalf of filing persons)*

*with copies to:*

**Robert W. Sweet, Jr., Esq.**  
**John D. Hancock, Esq.**  
**Foley Hoag LLP**  
**155 Seaport Boulevard**  
**Boston, Massachusetts 02210**

**Calculation of Filing Fee**

**Transaction valuation\***

\$17,875,505

**Amount of filing fee\*\***

\$1,912.68\*\*\*

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- \* Estimated for purposes of calculating the filing fee only. This amount is based on the Black-Scholes option valuation model, and assumes that all eligible existing options to purchase 1,836,887 shares of common stock of Progress Software Corporation will be amended pursuant to this offer, which may not occur.
- \*\* The amount of the filing fee, calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, as amended, as modified by Fee Rate Advisory No. 5 for fiscal year 2006, equals \$107 per \$1,000,000 of the value of the transaction.
- \*\*\* Previously paid in connection with the filing person's Schedule TO filed with the Securities and Exchange Commission on December 22, 2006.
- o Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \_\_\_\_\_

Form or Registration No.: \_\_\_\_\_

Filing Party: \_\_\_\_\_

Date Filed: \_\_\_\_\_

- o Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- o third-party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- o going-private transaction subject to Rule 13e-3.
- o amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

- o

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INTRODUCTORY STATEMENT

Item 12. Exhibits.

SIGNATURE

Ex-(a)(5)(D) Offer to Amend Certain Stock Options

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## INTRODUCTORY STATEMENT

This Amendment No. 1 amends and supplements the Tender Offer Statement on Schedule TO (“Schedule TO”) filed with the Securities and Exchange Commission on December 22, 2006 by Progress Software Corporation, a Massachusetts corporation (the “Company”). The Schedule TO relates to the issuer tender offer by the Company to amend outstanding “Eligible Options” (as defined in the Offer to Amend, dated December 22, 2006 (the “Offer to Amend”), filed as Exhibit (a)(1)(A) to the Schedule TO) held by individuals subject to taxation in the United States so they may avoid potential adverse tax consequences under Section 409A of the Internal Revenue Code of 1986, as amended, upon the terms and subject to the conditions set forth in the Offer to Amend and in the related Letter of Transmittal (the “Letter of Transmittal” which, together with the Offer to Amend, as each may be amended or supplemented from time to time, constitute the “Offer”), filed as Exhibit (a)(1)(C) to the Schedule TO. Each eligible participant in the Offer may elect to amend each of his or her Eligible Options to increase the exercise price per share of the Company’s common stock, par value \$0.01 per share, purchasable thereunder and to receive from the Company a special Cash Bonus (as defined in the Offer to Amend), upon the terms and subject to the conditions set forth in the Offer to Amend and in the Letter of Transmittal.

### **Item 12. Exhibits.**

Item 12 of the Schedule TO is hereby amended and supplemented to add the following:

- (a)(5)(D) Presentation by Ernst & Young LLP to eligible participants in the Offer on January 4, 2007, entitled “Progress Software Corporation’s Offer to Amend Certain Stock Options.”

**SIGNATURE**

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

**Progress Software Corporation**

By: /s/ Norman R. Robertson

Norman R. Robertson

Senior Vice President, Finance and Administration and  
Chief Financial Officer

Date: January 4, 2007

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<u>Exhibit Number</u>	<u>Description</u>
(a)(1)(A)	Offer to Amend, dated December 22, 2006 (incorporated by reference to Exhibit (a)(1)(A) to the Company's Tender Offer Statement on Schedule TO dated December 22, 2006).
(a)(1)(B)	Announcement of Offer to Amend (incorporated by reference to Exhibit (a)(1)(B) to the Company's Tender Offer Statement on Schedule TO dated December 22, 2006).
(a)(1)(C)	Letter of Transmittal (incorporated by reference to Exhibit (a)(1)(C) to the Company's Tender Offer Statement on Schedule TO dated December 22, 2006).
(a)(1)(D)	Withdrawal Form (incorporated by reference to Exhibit (a)(1)(D) to the Company's Tender Offer Statement on Schedule TO dated December 22, 2006).
(a)(2)	Not applicable.
(a)(3)	Not applicable.
(a)(4)	Not applicable.
(a)(5)(A)	Form of Reminder of Expiration Date (incorporated by reference to Exhibit (a)(5)(A) to the Company's Tender Offer Statement on Schedule TO dated December 22, 2006).
(a)(5)(B)	Form of Notice of Amendment of Eligible Options and Eligibility for Cash Bonus (incorporated by reference to Exhibit (a)(5)(B) to the Company's Tender Offer Statement on Schedule TO dated December 22, 2006).
(a)(5)(C)	Form of Option Summary (incorporated by reference to Exhibit (a)(5)(C) to the Company's Tender Offer Statement on Schedule TO dated December 22, 2006).
(a)(5)(D)	Presentation by Ernst & Young LLP to eligible participants in the Offer on January 4, 2007, entitled "Progress Software Corporation's Offer to Amend Certain Stock Options."
(b)	Not applicable.
(d)(1)	Progress Software Corporation 1992 Incentive and Nonqualified Stock Option Plan (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 1992).

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- (d)(2) Progress Software Corporation 1994 Stock Incentive Plan (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 1994).
- (d)(3) Progress Software Corporation 1997 Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2000).
- (d)(4) Progress Software Corporation 2002 Nonqualified Stock Plan (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2002).
- (d)(5) Progress Software Corporation 2004 Inducement Stock Plan (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2004).
- (d)(6) Employee Retention and Motivation Agreement executed by each Executive Officer of the Company (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 1998).
- (d)(7) First amendment to Employee Retention and Motivation Agreement executed by each Executive Officer of the Company (incorporated by reference to Exhibit 10.10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 1999).
- (d)(8) Letter agreement dated November 15, 2005 with Joseph W. Alsop regarding Fiscal 2005 Stock Option Grant (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K dated as of November 15, 2005).
- (d)(9) Form of Option Amendment Agreement, with payment to the Company, executed by certain executive officers of the Company (incorporated by reference to Exhibit (d)(9) to the Company's Tender Offer Statement on Schedule TO dated December 22, 2006).
- (d)(10) Form of Option Amendment Agreement, with payment to the Company, executed by certain non-employee directors of the Company (incorporated by reference to Exhibit (d)(10) to the Company's Tender Offer Statement on Schedule TO dated December 22, 2006).
- (d)(11) Form of Option Amendment Agreement, with cash bonus, executed by certain executive officers of the Company (incorporated by reference to Exhibit (d)(11) to the Company's Tender Offer Statement on Schedule TO dated December 22, 2006).
- (g) Not applicable.
- (h) Not applicable.



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**Progress Software Corporation's Offer to  
Amend Certain Stock Options  
Employee Meetings  
2007**

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## Offer to Amend

- You previously received an Offer to Amend dated December 22, 2006, a related Letter of Transmittal and other documents describing Progress Software's Offer to amend certain stock options.
  - You should read these documents carefully because they contain important information about the offer to amend certain stock options.
  - Additional copies of these documents are available from us at no cost.
-

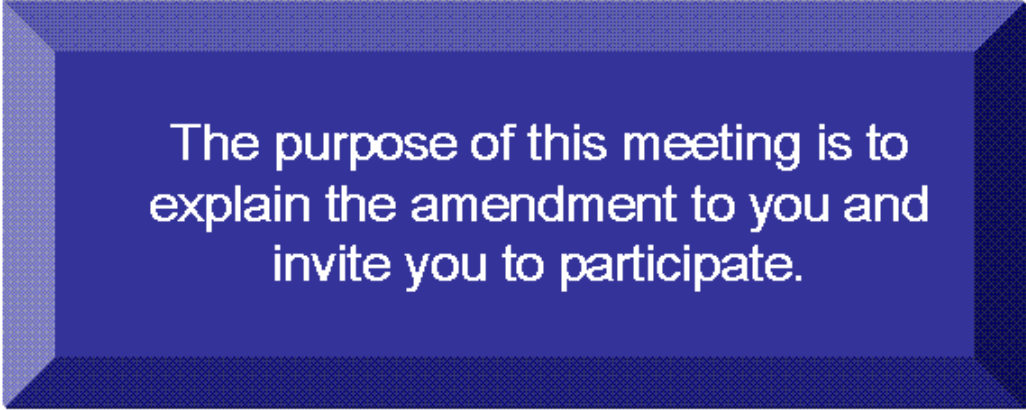
## Goals of this Meeting

- **Understand**
    - The §409A tax issue
    - Progress Software's Offer to Amend Certain Options
    - Your choices
  
  - **Review Next Steps**
-

## Why are You Here?

- 1) You hold options that were issued with an exercise price lower than the fair market value on the date of grant.
  - 2) You could be subject to adverse tax consequences if these options are not amended.
  - 3) Progress Software would like to amend these options but can't do it without you.
-

## Why are You Here?



The purpose of this meeting is to explain the amendment to you and invite you to participate.

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# What is the Adverse Tax Treatment? §409A

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## What does §409A do?

- Recently enacted changes to §409A of the Internal Revenue Code impose adverse tax consequences on certain stock option grants.
  - These changes apply to certain stock option grants that the Special Committee found had exercise prices lower than the fair market value on the legal grant date of the option.
  - What are the consequences of §409A?
    - Potential income taxation at time of vesting (i.e., *prior to exercise*)
    - 20% additional tax
    - Interest penalty
-



# Progress Software's Offer to Amend Certain Options

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## What is the Offer?

Eligible Employees, or Ex-Employees, with Eligible Options

- 1) Amend option to increase the option exercise price  
**AND**
- 2) Become eligible to receive cash payment equal to the difference between the new exercise price and original exercise price, multiplied by the number of shares subject to the amendment.

*Only options affected by §409A are eligible for the Offer.*

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## What is the Offer? continued

### Cash Payment Dates:

- For outstanding eligible options vested as of January 24, **2007** (the anticipated expiration of the Tender Offer), you will receive a payment in January 2008.
  - For outstanding eligible options unvested as of January 24, **2007**, you will be eligible to receive up to four additional payments (April **2008**, October **2008**, April **2009**, October **2009**) depending on the final vest date of your affected options. You must be employed on the payment date to receive the payment.
-

## What is the Offer Intended to do?

- 1) The increased exercise price is intended to eliminate adverse tax consequences under §409A.
- 2) The cash payment is intended to compensate you for the increased exercise price.

*The purpose of the Offer is to minimize  
the impact of §409A*

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## Eligible Participants

- Must be an employee, or have exercisable options, as of the close of the Offer (January 24, 2007, unless extended).
  - Must hold options unvested as of December 31, 2004 and outstanding as of the close of the Offer.
  - Subject to U.S. taxation.
-

## Which Options are Eligible?

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## Are all Options Eligible?

- **Not all options are eligible for the Offer.**
    - **For example, some options are not affected by 409A**
      - option shares vested as of December 31, 2004 are exempt
      - options granted at fair market value are exempt
  - **Only affected portions of options that are unexercised and outstanding at the close of the Offer are eligible.**
  - **You may hold eligible and ineligible options (i.e., affected and non-affected options). A single option grant may include both eligible and ineligible options.**
  - **Ineligible (non-affected) vested options may be exercised in accordance with the option and its governing plan and subject to Progress' Insider Trading Policy.**
-

## Which Options are Eligible?

Only options that were issued on these dates and that meet the eligibility requirements are eligible options for purposes of the Tender Offer.

*Please refer to your personal  
Option Summary*

- 9/4/1997
  - 9/1/1998
  - 11/10/1998
  - 5/17/1999
  - 2/18/2000
  - 10/6/2000
  - 11/30/2000
  - 12/21/2000
  - 4/3/2001
  - 10/10/2001
  - 2/6/2002
  - 8/2/2002
  - 11/15/2002
  - 2/24/2003
  - 4/9/2003
  - 8/1/2003
  - 1/2/2004
  - 5/24/2004
  - 9/27/2004
  - 4/15/2005
  - 6/8/2005
-



## How does the Offer Work?

- 1) Amend options to increase the exercise price
  - 1) **Tender your affected options through the program**
  - 2) **Tendered options will be amended with the new exercise price**
  - 3) **All affected options are Non-Qualified Options, even if issued as ISOs (whether or not amended)**
  - 4) **All other terms will remain the same (including the number of shares, vesting schedule and expiration date)**

&

- 2) Become Eligible to Receive Cash Payment
    - **Equal to the difference between the new exercise price and original exercise price, multiplied by the number of unexercised shares subject to amendment in the Tender Offer**
    - **All cash payments to be made in 2008 and 2009**
-

# What are the New Option Prices?

<b>Grant Date</b>	<b>Original Exercise Price</b>	<b>Revised Measurement Date</b>	<b>Amended Exercise Price</b>	<b>Price Differential</b>
9/4/1997	\$6.00	12/12/1997	\$6.67	\$0.67
9/1/1998	\$9.00	9/10/1998	\$9.41	\$0.41
11/10/1998	\$11.50	12/14/1998	\$16.19	\$4.69
5/17/1999	\$10.47	7/21/1999	\$13.88	\$3.41
2/18/2000	\$19.25	3/21/2000	\$23.00	\$3.75
10/6/2000	\$12.06	12/18/2000	\$14.94	\$2.88
11/30/2000	\$12.94	12/18/2000	\$14.94	\$2.00
12/21/2000	\$13.00	3/20/2001	\$13.81	\$0.81
4/3/2001	\$12.81	5/15/2001	\$14.30	\$1.49
10/10/2001	\$13.08	12/4/2001	\$17.42	\$4.34
2/6/2002	\$15.41	3/21/2002	\$17.75	\$2.34
8/2/2002	\$13.24	9/17/2002	\$13.50	\$0.26
11/15/2002	\$12.28	12/12/2002	\$13.22	\$0.94
2/24/2003	\$15.07	3/20/2003	\$16.99	\$1.92
4/9/2003	\$16.87	6/12/2003	\$23.48	\$6.61
8/1/2003	\$19.78	9/9/2003	\$22.27	\$2.49
1/2/2004	\$20.68	1/13/2004	\$23.00	\$2.32
5/24/2004	\$18.15	6/9/2004	\$18.75	\$0.60
9/27/2004	\$19.25	11/8/2004	\$21.45	\$2.20
4/15/2005	\$24.91	5/24/2005	\$29.30	\$4.39
6/8/2005	\$27.91	7/28/2005	\$30.71	\$2.80

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# Example

<u>Option Number</u>	<u>Grant Date</u>	<u>Number of Shares Granted</u>	<u>Original Exercise Price</u>	<u>Amended Exercise Price</u>	<u>Number of Shares Constituting an Eligible Option</u>	<u>Cash Bonus</u>
XXXXXX	9/27/04	500	\$19.25	\$21.45	417	\$917.40

$$\$21.45 - \$19.25 = \$2.20$$

$$\$2.20 * 417 = \$917.40^*$$

*\*Less applicable withholding taxes.*

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## How Does the Offer Work?

- **Original Option Grant:**
    - 500 Options - ISO
    - Granted on 9/27/04
    - 83 options vested as of 12/31/04 and are exempt ((417 options are eligible (500-83))
    - 208 options vested between 1/1/05 and 1/24/07
    - 209 options vest between 1/24/07 and 2/1/09
    - Exercise price \$19.25
    - Zero Options have been exercised
  - **Amount of Total Payment to be received in 2008 and 2009**
    - Price Differential \$2.20 (\$21.45 - \$19.25)
    - 500 - 83 = 417 eligible options\*
- 417\*\$2.20 = \$917.40\*\***
- **Amended Option:**
    - 417 options will be amended
    - New Option Price \$21.45
    - All vesting provisions remain the same

*\*Assumes no shares were exercised .*

*\* \*Less applicable withholding taxes.*

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## How Does the Offer Work? continued

- Amount of Total Payment to be received in 2008 and 2009
  - Price Differential \$2.20  
(\$21.45 - \$19.25)
  - \$917.40

### Cash Payment Schedule

#### 208 Vested Options as of 1/24/07:

1/08 \$457.60 (208 shares \* \$2.20)

#### 209 Unvested Options as of 1/24/07:

4/08 \$ 153.27

10/08 \$ 153.27

4/09\*\* \$ 153.26

$$417 * \$2.20 = \$917.40^*$$

*\*Less applicable withholding taxes.*

*\*\* Options all vest by 4/09 and are paid out by 4/09.*

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## What if I Do Nothing?

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## What if I Do Nothing?

- If you choose NOT to participate:
    - Your options will NOT be amended
    - You will NOT become eligible to receive a cash payment
    - Your affected options will remain subject to adverse tax consequences
    - You will NOT be reimbursed for adverse tax consequences
-

## What if I Do Nothing?

- Tax consequences:
    - Income taxation *prior to exercise* if vested options are “in the money”
    - 20% additional tax on income amount
    - Interest penalty
  - Will occur each year until exercise or expiration of the discounted options.
-



## Example- §409A Estimated Impact

- **Facts:**
  - **Number of options: 500**
  - **Original Option Strike Price: \$19.25**
  - **Option Grant Date: 9/27/04**
  - **Date Option Fully Vests: 2/1/09**
  - **Assumed Market Value for Section 409A: \$30.00**
- **Amount Subject to Income Tax as of 12/31/2006\* = \$2,150**
  - **200 Options Vested as of 12/31/06**
  - **§409A Value \$10.75 (\$30.00 - \$19.25)**
  - **200 \* \$10.75 = \$2,150**

**\*Portion includable in 2005 based on shares vested as of 12/31/05. You must amend your 2005 tax return to reflect income for 2005.**

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## Example - §409A Estimated Impact

Federal Ordinary Income Tax	\$752.50	(\$2,150 X 35%)
MA Ordinary Income	<u>113.95</u>	(\$2,150 X 5.3%)
Subtotal	\$866.45	(Total Tax Rate 40.3%)
§409A Add'l Tax	430.00	(\$2,150 X 20%)
§409A Interest (estimated)	<u>77.98</u>	(\$866.45 X 9%)
Tax Total with §409A*	<u>\$1,374.43</u>	(Total Rate 63.9%)

Note:

- ✓ *The above example illustrates only two years vesting under §409A.*
- ✓ *These taxes will be imposed as the options vest each year (e.g., 2007, 2008, 2009).*
- ✓ *Also, if the stock value is increasing, the taxes will increase as well.*

\*Portion includable in 2005 based on shares vested as of 12/31/05. Unless you amend your options, you must amend your 2005 tax return to reflect income for 2005.

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# How Do I Participate?

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## Personalized Information

- **Information has been sent to you**
    - Letter of Transmittal (and Withdrawal Form)
    - Tender Offer Document, including Summary Term Sheet with Q&A's
  - **Your personalized Option Summary contains:**
    - Information regarding your eligible options
    - New exercise price and cash payment amount
-

## Tender Offer Timeline

- Tender Offer Began: December 22, 2006
- Tender Offer Ends: January 24, 2007, unless extended

*All elections must be received by  
12 a.m. midnight, Eastern Time  
January 24, 2007*

*Late Submissions will NOT be accepted*

*Limited one time Offer to avoid future  
adverse tax consequences*

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## How to Submit Your Letter of Transmittal

- Email to [tenderoffer@progress.com](mailto:tenderoffer@progress.com)
- Fax to (866) 821-0293
- Mail via U.S. mail or commercial delivery service (e.g., Federal Express) to:

Susan Goida  
Ernst & Young  
200 Clarendon, 44<sup>th</sup> floor  
Boston, MA 02116

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## What if I Still Have Questions?

- Tax Consequences Questions
    - (800) 425-4425 from within the U.S.
    - (201) 872-5840 from outside the U.S.
-

## Frequently Asked Questions

- Questions and Answers detailed in Summary Term Sheet of the Tender Offer
  - Sample questions:
    - Why is Progress making the Offer?
    - Who is eligible to participate in the Offer?
    - What securities are subject to the Offer?
    - When will my Eligible Option be amended?
    - If I hold multiple Eligible Options, can I choose which Eligible Options with respect to which I want to accept the Offer?
    - During what period of time may I withdraw my previously submitted acceptance of the Offer to amend an Eligible Option?
-



## Tax Consequences May Vary

- Taxation of stock option transactions can be very complicated.
  - Progress Software policy prohibits any employees from providing personal income tax advice to any other employee.
  - This presentation is general and you should consult with your personal tax advisor for advice relevant to your specific situation.
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## Circular 230 Disclaimer Notice

- Any tax advice included in this presentation was not intended or written to be used, and it cannot be used by the taxpayer, for the purpose of avoiding any penalties that may be imposed by any governmental taxing authority or agency;
- This tax advice was written to support the promotion of the matter addressed by the presentation; and
- The taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.