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

# FORM 10-K

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

**For the Fiscal Year Ended November 30, 2013**
**or**

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

**Commission File Number: 0-19417**

# PROGRESS SOFTWARE CORPORATION
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **MASSACHUSETTS**<br>**(State or other jurisdiction of incorporation or organization)** | **04-2746201**<br>**(I.R.S. Employer Identification No.)** |

**14 Oak Park**
**Bedford, Massachusetts 01730**
**(Address of Principal Executive Offices)**

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

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

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock $.01 par value | The NASDAQ Global Select Market |

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

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

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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| Large accelerated filer | ☒ | Accelerated filer | ☐ | Non-accelerated filer | ☐ | 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 May 31, 2013 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of voting stock held by non-affiliates of the registrant was approximately $1,261,000,000.

As of January 23, 2014, there were 51,580,000 common shares outstanding.

**Documents Incorporated By Reference**

Portions of the definitive Proxy Statement in connection with the 2014 Annual Meeting of Shareholders are incorporated by reference into Part III.

**PROGRESS SOFTWARE CORPORATION**

**FORM 10-K**

**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2013**

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**CAUTIONARY STATEMENTS**

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

# PART I

## Item 1. Business

### Overview

We are a global software company that simplifies the development, deployment and management of business applications on-premise or in the cloud, on any platform or device, to any data source, with enhanced performance, minimal IT complexity and low total cost of ownership. Our comprehensive portfolio of products provides leading solutions for rapid application development, broad data integration and efficient data analysis. Our solutions are used across a variety of industries.

Our products are generally sold as perpetual licenses, but certain products and business activities also use term licensing models and our new Progress Pacific platform offering uses a subscription based model. More than half of our worldwide license revenue is realized through relationships with indirect channel partners, principally application partners and original equipment manufacturers (OEMs). Application partners are independent software vendors (ISVs) that develop and market applications using our technology and resell our products in conjunction with sales of their own products that incorporate our technology. OEMs are companies that embed our products into their own software products or devices.

We operate in North America and Latin America (the Americas); Europe, the Middle East and Africa (EMEA); and the Asia Pacific region, through local subsidiaries as well as independent distributors.

### Fiscal Year 2013 Highlights

In 2013, we introduced the Progress Pacific platform-as-a-service (PaaS) that is the foundation of a new strategic plan (the "Plan") we announced in April 2012. In April 2012, we announced our intention to become a leading provider of next-generation application development and deployment capabilities in the cloud for the PaaS market by investing in our OpenEdge, DataDirect and Corticon product lines and integrating components of those products into a single, cohesive offering. Our Pacific platform seamlessly brings together intelligent workflows, business logic, deployment options and data sources. Progress Pacific is currently comprised of Rollbase, which we acquired in May 2013, and DataDirect Cloud, as well as assets from our OpenEdge, DataDirect, and Corticon products.

In fiscal year 2012 and the first quarter of fiscal year 2013, as part of the Plan, we divested ten product lines that we did not consider core to our business: Actional, Artix, DataXtend, FuseSource, ObjectStore, Orbacus, Orbix, Savvion, Shadow and Sonic. The aggregate purchase price for these divestitures was approximately $130.0 million. In July 2013, we sold our Apama product line to Software AG for a purchase price of $44.3 million. The target market, deployment and sales model for the Apama product line differed significantly from those of our core strategy and the divestiture allowed us to focus entirely on providing leading cloud and mobile application development and integration technologies through a single cohesive platform.

During fiscal years 2012 and 2013, we also executed on cost reductions as part of the Plan. In fiscal year 2012, we recorded restructuring expenses of $19.0 million in furtherance of the cost reduction plans, of which $10.9 million was included in discontinued operations. The charge included $16.4 million in severance and other employee benefits associated with the reduction of 11% of our workforce. In fiscal year 2013, we recorded restructuring expenses of $13.0 million, of which $1.0 million is included in discontinued operations. The charge included $10.3 million in severance and other employee benefits associated with a workforce reduction.

As part of the Plan, in April 2012 our Board of Directors authorized the repurchase of $350.0 million of our common stock through fiscal year 2013, and in October 2012, under the authorization, we announced the adoption of a Rule 10b5-1 plan to repurchase up to $250.0 million of our common stock through June 30, 2013, or earlier. We completed the plan in May 2013, having repurchased 11.7 million shares for $250.0 million. In July 2013, our Board of Directors increased the authorization to $360.0 million, and we launched a new Rule 10b5-1 plan to repurchase up to $100.0 million of our common stock through December 31, 2013, or earlier. We completed this plan in October 2013, having repurchased 4.0 million shares for $100.0 million. Through November 30, 2013, we have repurchased a total of 16.1 million shares for $357.9 million under the authorization.

After the announcement of the Plan, we began reporting our results in two reportable segments: Core and non-Core. Since the non-Core segment ceased to exist during the first quarter of fiscal year 2013 as a result of the closing of the divestitures, we now operate as one reportable segment. In addition, the revenues and direct expenses of the product lines divested are included in discontinued operations in our consolidated statements of income, including prior period amounts which have been revised to reflect the presentation. For financial information relating to segments and international operations, see Note 17 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

**Our Products**

Application Development

*Progress OpenEdge*

Progress OpenEdge is development software for building dynamic multi-language applications for secure deployment across any platform, any mobile device, and any cloud. OpenEdge provides a unified environment comprising development tools, application servers, application management tools, an embedded relational database management system, and the capability to connect and integrate with other applications and data sources independently or with other components in the Pacific platform.

*Progress Rollbase*

Progress Rollbase is rapid application development software that allows rapid creation of software as a service (SaaS) business applications using point & click, drag & drop tools in a standard web browser with a minimal amount of code. Progress Rollbase applications can be deployed in any cloud or on-premise infrastructure. In addition to integrating with other components in the Pacific platform, it provides the capability to connect and integrate with other applications and data sources independently.

Data Integration

*Progress DataDirect Connect*

Progress DataDirect Connect software provides data connectivity using industry-standard interfaces to connect applications running on various platforms to any major database, for both corporate IT organizations and software vendors. With software components embedded in the products of over 350 software companies and in the applications of thousands of large enterprises, the DataDirect Connect product set is a global leader in the data connectivity market. The primary products, in addition to other drivers we have developed, are ODBC drivers, JDBC drivers and ADO.NET providers. They provide the capability to connect and integrate with other applications and data sources independently or with other components in the Pacific platform.

*Progress DataDirect Cloud*

Progress DataDirect Cloud is a SaaS-based connection management service that simplifies SQL access to a broad spectrum of cloud-based data sources through a single standards-based interface. The DataDirect Cloud service executes SQL queries against the appropriate cloud data source, managing all of the complexity, API’s, and versioning for the host application. In addition to integrating with other components in the Pacific platform, it provides the capability to connect and integrate with other applications and data sources independently.

Business Rules

*Progress Corticon*

Progress Corticon is a Business Rules Management System (BRMS) that enables applications with decision automation, decision change process and decision-related insight capabilities. Corticon helps both business and IT users to quickly create or reuse business rules as well as create, improve, collaborate on, and maintain decision logic. Corticon is a market-leading platform for automating and executing business changes. In addition to integrating with other components in the Pacific platform, it provides the capability to connect and integrate with other applications and data sources independently.

Platform as a Service

*Progress Pacific*

Progress Pacific is a modern platform-as-a-service (PaaS) that enables the rapid creation and deployment of powerful, data-driven business applications with minimal coding by using point-and-click, drag-and-drop tools in a web browser. Standard interfaces enable fast, easy, real-time integration with numerous SaaS, relational database, NoSQL, Big Data, social, CRM and ERP data sources for automated applications. These can be deployed in a cloud, on-premise or in hybrid environments and also connect to existing applications to preserve investments. Progress Pacific provides users with the freedom to choose the development tools, data sources, deployment environments and devices that best fit business and user needs. It is comprised of Rollbase and DataDirect Cloud, together with assets from our OpenEdge, DataDirect, and Corticon products, which are discussed above.

**Product Development**

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

As of November 30, 2013, we have three primary development offices in North America, one primary development office in EMEA and one primary development office in India. We spent $57.3 million, excluding an insignificant amount of capitalized software development, $44.4 million, and $38.2 million in fiscal years 2013, 2012 and 2011, respectively, on product development.

**Customers**

We market our products globally through several channels: directly to end-users and indirectly to application partners (or ISVs), OEMs, and system integrators. Sales of our solutions and products through our direct sales force are generally to business managers or IT managers in corporations and governmental agencies. We also market our products through indirect channels, primarily application partners and OEMs who embed our products as part of an integrated solution. We use international distributors in certain locations where we do not have a direct presence or where it is more economically feasible for us to do so.

More than half of our license revenues are derived from indirect channels. No single customer has accounted for more than 10% of our total revenue in any of our last three fiscal years.

*Application Partners*

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

*Original Equipment Manufacturers*

We enter into arrangements with OEMs whereby the OEM embeds our products into its solutions, typically either software or technology devices. OEMs typically license the right to embed our products into their solutions and distribute such solutions for initial terms ranging from one to three years. Historically, a significant portion of our OEMs have renewed their agreements upon the expiration of the initial term. However, we are not assured that this will continue to be the case in the future.

**Sales and Marketing**

We sell our products and solutions through our direct global field operations, which comprises sales, service and support personnel worldwide. Additionally, we sell our products and solutions through independent distributors. We have sold our products and solutions to enterprises in over 180 countries. The global field operations and field marketing groups are organized by region and secondarily by direct and indirect channels. We operate by region in the Americas, EMEA and Asia Pacific. We believe this structure allows us to maintain direct contact with our customers and support their diverse market requirements. Our international operations provide focused local sales, support and marketing efforts and are able to respond directly to changes in local conditions.

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

Our marketing personnel conduct a variety of marketing engagement programs designed to create demand for our products, enhance the market readiness of our products, raise the general awareness of our company and our products and solutions, generate leads for the global field operations organization and promote our various products. These programs include press relations, analyst relations, investor relations, digital/web marketing, marketing communications, participation in trade shows and industry conferences, and production of sales and marketing literature. We also hold global events, as well as regional user events in various locations throughout the world.

**Customer Support**

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

**Professional Services**

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

**Competition**

The computer software industry is intensely competitive. We experience significant competition from a variety of sources with respect to all of our products. Factors affecting competition in the markets we serve include product performance in complex applications, application solutions, vendor experience, ease of integration, price, training and support.

We compete in various markets with a number of entities, such as salesforce.com, Inc., Amazon.com, Inc., Software AG, RedHat, Inc., Pivotal Software, Inc., Microsoft Corporation, Oracle Corporation and other smaller firms. Many of these vendors offer PaaS, application development, data integration and other tools in conjunction with their CRM, web services, operating systems and relational database management systems. We believe that IBM Corporation, Microsoft Corporation and Oracle Corporation currently dominate the relational database market. We do not believe that there is a dominant vendor in the other infrastructure software markets, including PaaS and application development. Some of our competitors have greater financial, marketing or technical resources than we have and may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than we can. Increased competition could make it more difficult for us to maintain our revenue and market presence.

**Copyrights, Trademarks, Patents and Licenses**

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

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

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

**Business Segment and Geographical Information**

We operate in a single operating segment. For additional information on business segments as well as geographical financial information, see Note 17 to our consolidated financial statements, which are incorporated herein by reference.

**Employees**

As of November 30, 2013, we had 942 employees worldwide, including 278 in sales and marketing, 88 in customer support and services, 415 in product development and 161 in administration. None of our U.S. employees are subject to a collective bargaining agreement. Employees in certain foreign jurisdictions are represented by local workers' councils and/or collective bargaining agreements as may be customary or required in those jurisdictions. We have experienced no work stoppages and believe our relations with employees are good.

**Available Information**

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

Our Code of Conduct is also available on our website. Additional information about this code and amendments and waivers thereto can be found below in Part III, Item 10 of this Annual Report.

**Item 1A. Risk Factors**

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

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

- changes in demand for our products;
- introduction, enhancement or announcement of products by us or our competitors;
- market acceptance of our new products;
- the growth rates of certain market segments in which we compete;
- size and timing of significant orders;
- budgeting cycles of customers;
- mix of distribution channels;
- mix of products and services sold;
- mix of international and North American revenues;
- fluctuations in currency exchange rates;
- changes in the level of operating expenses;
- the amount of our stock-based compensation;
- changes in management;
- restructuring programs;
- reorganizations of our sales force;
- completion or announcement of acquisitions by us or our competitors;
- customer order deferrals in anticipation of new products announced by us or our competitors; and
- general economic conditions in regions in which we conduct business.

***Revenue forecasting is uncertain, and the failure to meet our forecasts could result in a decline in our stock price.*** Our revenues, particularly new software license revenues, are difficult to forecast. We use a pipeline system to forecast revenues and trends in our business. Our pipeline estimates may prove to be unreliable either in a particular quarter or over a longer period of time, in part because the conversion rate of the pipeline into contracts can be difficult to estimate and requires management judgment. A variation in the conversion rate could cause us to plan or budget incorrectly and materially adversely impact our business or our planned results of operations. Furthermore, most of our expenses are relatively fixed, including costs of personnel and facilities, and are not easily reduced. Thus, an unexpected reduction in our revenue, or failure to achieve the anticipated rate of growth, would have a material adverse effect on our profitability. If our operating results do not meet our publicly stated guidance or the expectations of investors, our stock price may decline.

As discussed below, we are devoting significant resources to the development of product and service offerings as well as new distribution models where we have a limited operating history. The addition of a subscription model to augment our traditional perpetual licensing model may negatively impact our license growth in the near term. Under a subscription model, downturns or upturns in sales may not be immediately reflected in our results of operations. Subscription pricing allows customers to use our products at a lower initial cost when compared to the sale of a perpetual license. Although the subscription model is designed to increase the number of customers who purchase our products and services and create a recurring revenue stream that is more predictable, it creates certain risks related to the timing of revenue recognition and reduced cash flows. A decline in new or renewed subscriptions in any period may not be immediately reflected in our results for that period, but may result in a decline in our revenue in future quarters. If we were to experience significant downturns in subscription sales and renewal rates, our results of operations might not reflect such downturns until future periods. Further, any increases in sales under our subscription sales model could result in decreased revenues over the short term if they are offset by a decline in sales from perpetual license customers.

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

***Weakness in the U.S. and international economies may result in fewer sales of our products and may otherwise harm our business.*** We are subject to the risks arising from adverse changes in global economic conditions, especially those in the U.S., Europe and the Asia Pacific region. The past five years have been characterized by weak global economic conditions, tightening of credit markets and instability in the financial markets, particularly in Europe. If these conditions continue or worsen, customers may delay, reduce or forego technology purchases, both directly and through our application partners and OEMs. This could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition. Further, deteriorating economic conditions could adversely affect our customers and their ability to pay amounts owed to us. Any of these events would likely harm our business, results of operations, financial condition or cash flows.

***Our international operations expose us to additional risks, and changes in global economic and political conditions could adversely affect our international operations, our revenue and our net income.*** More than half of our total revenue is generated from sales outside North America. Political and/or financial instability, oil price shocks and armed conflict in various regions of the world can lead to economic uncertainty and may adversely impact our business. If customers' buying patterns, decision-making processes, timing of expected deliveries and timing of new projects unfavorably change due to economic or political conditions, there would be a material adverse effect on our business, financial condition and operating results.

Other potential risks inherent in our international business include:

- longer payment cycles;
- credit risk and higher levels of payment fraud;
- greater difficulties in accounts receivable collection;
- varying regulatory requirements;
- compliance with international and local trade, labor and export control laws;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting bribery and corrupt payments to government officials;
- restrictions on the transfer of funds;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- reduced or minimal protection of intellectual property rights in some countries;
- laws and business practices that favor local competitors or prohibit foreign ownership of certain businesses;
- seasonal reductions in business activity during the summer months in Europe and certain other parts of the world;
- economic instability in emerging markets; and
- potentially adverse tax consequences.

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

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

***Technology and customer requirements evolve rapidly in our industry, and if we do not continue to develop new products and enhance our existing products in response to these changes, our business could be harmed.*** Ongoing enhancements to our product sets will be required to enable us to maintain our competitive position. We may not be successful in developing and marketing enhancements to our products on a timely basis, and any enhancements we develop may not adequately address the changing needs of the marketplace. Overlaying the risks associated with our existing products and enhancements are ongoing technological developments and rapid changes in customer requirements. Our future success will depend upon our ability to develop and introduce in a timely manner new products that take advantage of technological advances and respond to new customer requirements. We may not be successful in developing new products incorporating new technology on a timely basis, and any new products may not adequately address the changing needs of the marketplace. Failure to develop new products and product enhancements that meet market needs in a timely manner could have a material adverse effect on our business, financial condition and operating results.

***We are substantially dependent on our Progress OpenEdge products.*** We derive a significant portion of our revenue from software license and maintenance revenue attributable to our Progress OpenEdge product set. Accordingly, our future results depend on continued market acceptance of OpenEdge. If new technologies emerge that are superior to, or more responsive to customer requirements, than OpenEdge such that we are unable to maintain OpenEdge's competitive position within its marketplace, this will have a material adverse effect on our business, financial condition and operating results.

***The increased emphasis on a cloud strategy may give rise to risks that could harm our business***. We are devoting significant resources to the development of technologies and service offerings in the PaaS market where we have a limited operating history. To accelerate the growth of our business, we launched Progress Pacific, our cloud-based Platform-as-a-Service, in July 2013. Our cloud strategy requires continued investment in product development and cloud operations as well as a change in the way we price and deliver our products. Many of our competitors may have advantages over us due to their larger presence, larger developer network, deeper experience in the cloud-based computing market, and greater sales and marketing resources. It is uncertain whether these strategies will prove successful or whether we will be able to develop the infrastructure and business models more quickly than our competitors. Our cloud strategy may give rise to a number of risks, including the following:

- if new or current customers desire only perpetual licenses, we may not be successful in selling subscriptions;
- although we intend to support our perpetual license business, the increased emphasis on a cloud strategy may raise concerns among our installed customer base;
- we may be unsuccessful in achieving our target pricing;
- our revenues might decline over the short or long term as a result of this strategy;
- our relationships with existing partners that resell perpetual licenses may be damaged; and
- we may incur costs at a higher than forecasted rate as we enhance and expand our cloud operations.

***We may make additional acquisitions or investments in new businesses, products or technologies that involve additional risks, which could disrupt our business or harm our financial condition, results of operations or cash flows.*** We may continue to make acquisitions of businesses or investments in companies that offer complementary products, services and technologies. Any acquisitions that we do complete involve a number of risks, including the risks of assimilating the operations and personnel of acquired companies, realizing the value of the acquired assets relative to the price paid, distraction of management from our ongoing businesses and potential product disruptions associated with the sale of the acquired company's products. These factors could have a material adverse effect on our business, financial condition, operating results and cash flows. The consideration we pay for any future acquisitions could include our stock. As a result, future acquisitions could cause dilution to existing shareholders and to earnings per share.

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

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

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

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

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

***We could incur substantial cost in protecting our proprietary software technology or if we fail to protect our technology, which would harm our business.*** We rely principally on a combination of contract provisions and copyright, trademark, patent and trade secret laws to protect our proprietary technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This litigation could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. The steps we take to protect our proprietary rights may be inadequate to prevent misappropriation of our technology; moreover, others could independently develop similar technology.

***We could be subject to claims that we infringe intellectual property rights of others, which could harm our business, financial condition, results of operations or cash flows.*** Third parties could assert infringement claims in the future with respect to our products and technology, and such claims might be successful. This litigation could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. This litigation could also lead to our being prohibited from selling one or more of our products, cause reluctance by potential customers to purchase our products, or result in liability to our customers and could have a material adverse effect on our business, financial condition, operating results and cash flows.

***If our security measures are breached, our products and services may be perceived as not being secure, customers may curtail or stop using our products and services, and we may incur significant legal and financial exposure.*** Our products and services involve the storage and transmission of our customers' proprietary information, and security breaches could expose us to a risk of loss of this information, litigation, and potential liability. Our security measures may be breached due to the actions of outside parties, employee error, malfeasance, or otherwise, and, as a result, an unauthorized party may obtain access to our data or our customers' data. Any such breach or unauthorized access could result in significant legal and financial exposure, increased costs to defend litigation or damage to our reputation, and a loss of confidence in the security of our products and services that could potentially have an adverse effect on our business. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose customers.

***We may have exposure to additional tax liabilities.*** As a multinational corporation, we are subject to income taxes in the U.S. and various foreign jurisdictions. Significant judgment is required in determining our global provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. Our income tax returns are routinely subject to audits by tax authorities. Although we regularly assess the likelihood of adverse outcomes resulting from these examinations to determine our tax estimates, a final determination of tax audits or tax disputes could have an adverse effect on our financial condition, results of operations and cash flows.

We are also subject to non-income taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes in the U.S. and various foreign jurisdictions. We are regularly under audit by tax authorities with respect to these non-income taxes and may have exposure to additional non-income tax liabilities, which could have an adverse effect on our results of operations, financial condition and cash flows.

In addition, our future effective tax rates could be favorably or unfavorably affected by changes in tax rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or their interpretation. Such changes could have a material adverse impact on our financial results.

***We are required to comply with certain financial and operating covenants under our credit facility and any failure to comply with those covenants could cause amounts borrowed under the facility to become immediately due and payable or prevent us from borrowing under the facility.*** Under the terms of our credit facility, we may borrow up to $150.0 million (with an accordion feature that allows us to borrow up to an additional $75.0 million if the existing or additional lenders agree), repay the same in whole or in part and re-borrow at any time through August 15, 2016, at which time any amounts outstanding will be due and payable in full. As of November 30, 2013, there were no amounts outstanding under the revolving line and $0.8 million of letters of credit outstanding. We may wish to borrow amounts under the facility in the future to support our operations, including for strategic acquisitions.

We are required to comply with specified financial and operating covenants, which may limit our ability to operate our business as we otherwise might operate it. Our failure to comply with any of these covenants or to meet any payment obligations under the facility could result in an event of default which, if not cured or waived, would result in any amounts outstanding, including any accrued interest and unpaid fees, becoming immediately due and payable. We might not have sufficient working capital or liquidity to satisfy any repayment obligations in the event of an acceleration of those obligations. In addition, if we are not in compliance with the financial and operating covenants at the time we wish to borrow funds, we will be unable to borrow funds.

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

**Item 1B. Unresolved Staff Comments**

As of the date of this report, we do not have any open comments from the U.S. Securities and Exchange Commission (SEC) related to our financial statements or periodic filings with the SEC.

**Item 2. Properties**

We own our principal administrative, sales, support, marketing, product development and distribution facilities, which are located in three buildings totaling approximately 258,000 square feet in Bedford, Massachusetts. In addition, we maintain offices in leased facilities in approximately 3 other locations in North America and approximately 8 locations outside North America, including Australia, Belgium, Brazil, France, India, Netherlands, Singapore, and the United Kingdom. The terms of our leases generally range from one to six years. We believe that our facilities are adequate for our current needs and that suitable additional space will be available as needed.

**Item 3. Legal Proceedings**

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

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II**

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

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

| | Fiscal Year Ended | | | |
|---|---|---|---|---|
| | November 30, 2013 | | November 30, 2012 | |
| | High | Low | High | Low |
| First quarter | $ 24.50 | $ 19.89 | $ 24.18 | $ 17.01 |
| Second quarter | $ 24.40 | $ 20.41 | $ 24.76 | $ 18.90 |
| Third quarter | $ 26.03 | $ 21.00 | $ 21.16 | $ 17.30 |
| Fourth quarter | $ 26.95 | $ 24.15 | $ 22.24 | $ 17.45 |

We have not declared or paid cash dividends on our common stock and we do not plan to pay cash dividends to our shareholders in the near future. As of December 31, 2013, our common stock was held by approximately 243 shareholders of record.

Information related to our repurchases of our common stock by month in the fourth quarter of fiscal year 2013 is as follows (in thousands, except per share data):

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (1) (2) |
|---|---|---|---|---|
| September 2013 | 611 | $ 25.19 | 611 | $ 18,800 |
| October 2013 | 641 | 25.98 | 641 | 2,145 |
| November 2013 | — | — | — | 2,145 |
| Total | 1,252 | $ 25.59 | 1,252 | $ 2,145 |

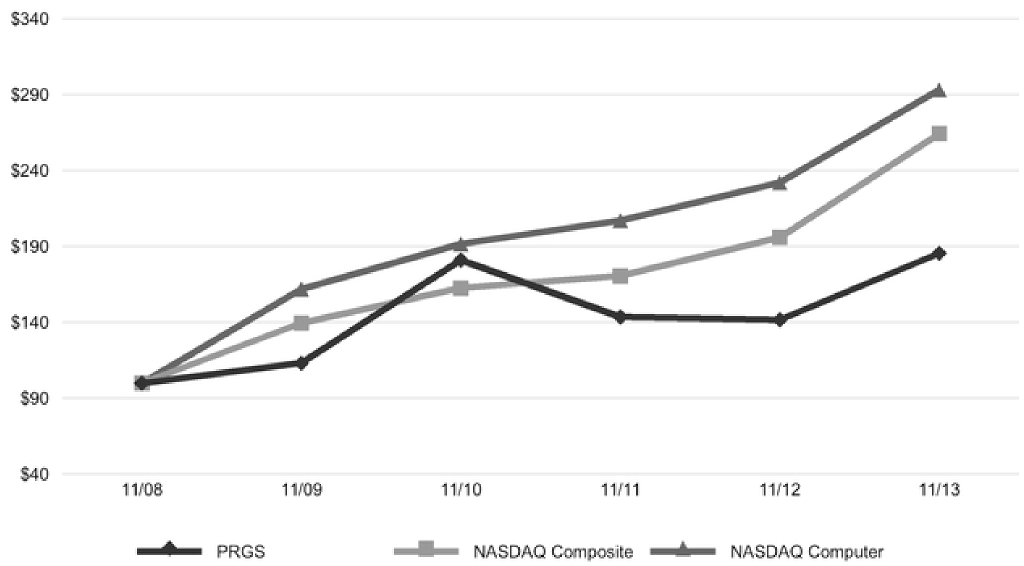
(1) In April 2012, our Board of Directors authorized the repurchase of $350.0 million of our common stock through fiscal year 2013, and in October 2012, under the authorization, we announced the adoption of a Rule 10b5-1 plan to repurchase up to $250.0 million of our common stock through June 30, 2013, or earlier. We completed the plan in May 2013, having repurchased 11.7 million shares for $250.0 million. In July 2013, our Board of Directors increased the authorization to $360.0 million, and we launched a new Rule 10b5-1 plan to repurchase up to $100.0 million of our common stock through December 31, 2013, or earlier. We completed this plan in October 2013, having repurchased 4.0 million shares for $100.0 million. Through November 30, 2013, we have repurchased a total of 16.1 million shares for $357.9 million under the $360.0 million authorization.

(2) In January 2014, our Board of Directors authorized a new $100.0 million share repurchase program, which is not reflected in the above table. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

**Stock Performance Graph and Cumulative Total Return**

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total return on the NASDAQ Composite Index and the NASDAQ Computer Index for each of the last five fiscal years ended November 30, 2013, assuming an investment of $100 at the beginning of such period and the reinvestment of any dividends.

**Comparison of 5 Year Cumulative Total Return(1)**
**Among Progress Software Corporation, the NASDAQ Composite Index and the NASDAQ Computer Index**




(1) $100 invested on November 30, 2008 in stock or index, including reinvestment of dividends.

| November 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Progress Software Corporation | $ 100.00 | $ 113.11 | $ 180.97 | $ 143.55 | $ 141.72 | $ 185.62 |
| NASDAQ Composite | 100.00 | 139.66 | 162.69 | 170.64 | 196.03 | 264.39 |
| NASDAQ Computer | 100.00 | 161.91 | 191.56 | 206.98 | 232.05 | 293.23 |

**Item 6. Selected Financial Data**

The following table sets forth selected financial data for the last five fiscal years (in thousands, except per share data):

| Year Ended November 30, | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Revenue | $ 333,996 | $ 317,612 | $ 333,610 | $ 329,786 | $ 327,895 |
| Income from operations | 63,740 | 67,789 | 108,712 | 109,816 | 84,487 |
| Income from continuing operations | 39,777 | 44,954 | 71,389 | 74,551 | 52,626 |
| Net income | 74,907 | 47,444 | 59,629 | 48,098 | 33,280 |
| Basic earnings per share from continuing operations | 0.73 | 0.71 | 1.09 | 1.17 | 0.87 |
| Diluted earnings per share from continuing operations | 0.72 | 0.71 | 1.06 | 1.13 | 0.85 |
| Cash, cash equivalents and short-term investments | 231,440 | 355,217 | 261,416 | 322,396 | 224,121 |
| Total assets | 682,187 | 884,977 | 864,263 | 939,393 | 801,633 |
| Long-term debt, including current portion | — | — | 357 | 664 | 1,022 |
| Shareholders’ equity | 513,654 | 638,399 | 625,110 | 690,274 | 557,867 |

Prior period amounts have been revised for the impact of discontinued operations. Refer to Item 8 of this Form 10-K for an additional description of the impact of discontinued operations.

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

**Forward-Looking Statements**

*Certain statements below about anticipated results and our products and markets are forward-looking statements that are based on our current plans and assumptions. Important information about the bases for these plans and assumptions and factors that may cause our actual results to differ materially from these statements is contained below and in Item 1A. “Risk Factors” of this Annual Report on Form 10-K.*

**Use of Constant Currency**

*Revenue from our international operations has historically represented more than half of our total revenue. As a result, our revenue results have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, if the local currencies of our foreign subsidiaries weaken, our consolidated results stated in U.S. dollars are negatively impacted.*

*As exchange rates are an important factor in understanding period to period comparisons, we believe the presentation of revenue growth rates on a constant currency basis enhances the understanding of our revenue results and evaluation of our performance in comparison to prior periods. The constant currency information presented is calculated by translating current period results using prior period weighted average foreign currency exchange rates. These results should be considered in addition to, not as a substitute for, results reported in accordance with accounting principles generally accepted in the United States of America (GAAP).*

**Revised Prior Period Amounts**

*Our financial results for prior periods have been revised, in accordance with GAAP, to reflect certain changes to our business and other matters. Prior period amounts have been revised for the impact of discontinued operations due to the sale of our Apama product line. The impact on prior periods of discontinued operations due to the sale of our non-Core product lines was previously included in the Annual Report on Form 10-K for the fiscal year ended November 30, 2012. Refer to Item 8 of this Form 10-K for an additional description of these items.*

**Overview**

We are a global software company that simplifies the development, deployment and management of business applications on-premise or in the cloud, on any platform or device, to any data source, with enhanced performance, minimal IT complexity and low total cost of ownership. In 2013, we introduced the Progress Pacific platform-as-a-service (PaaS) that is the foundation of a new strategic plan (the "Plan") we announced in April 2012. In April 2012, we announced our intention to become a leading provider of next-generation application development and deployment capabilities in the cloud for the PaaS market by investing in our OpenEdge, DataDirect, and Corticon product lines and integrating components of those products into a single, cohesive offering.

The Plan is being executed in two phases. In the first phase, we invested in our OpenEdge and DataDirect product lines to make them more cloud-ready. We also divested ten product lines which we did not consider core to our business: Actional, Artix, DataXtend, FuseSource, ObjectStore, Orbacus, Orbix, Savvion, Shadow and Sonic. In the second half of fiscal year 2012, we also executed on cost reductions as part of the Plan, including the reduction of 11% of our workforce.

Our financial results for fiscal year 2012 were adversely impacted by factors related to the planning, announcement and execution of the first phase of the Plan, which also included the undertaking of large restructuring efforts and the marketing for divestiture and actual sale of the ten non-core product lines. These factors contributed to a very uncertain environment for our company, partners, customers and employees. In particular, during the second and third quarters of fiscal year 2012, customer purchasing decisions were delayed, which caused deal slippage at a greater rate than usual. This was caused both by uncertainty surrounding the Plan and by generally deteriorating macroeconomic conditions, primarily in Europe.

In fiscal year 2012 and the first quarter of fiscal year 2013, we entered into definitive purchase and sale agreements to divest the product lines which we did not consider core to our business. All divestitures were completed by the end of the first quarter of fiscal year 2013. The aggregate purchase price was approximately $130.0 million. As a result of the divestitures of all the product lines not considered core to our business, we ceased reporting the results of those operations as a separate reportable segment. Beginning in fiscal year 2013, we now operate as one reportable segment.

In June 2013, we entered into a definitive purchase and sale agreement to divest our Apama product line to Software AG. The target market, deployment and sales model for the Apama product line differed significantly from those of our core strategy and the divestiture allowed us to focus entirely on providing leading cloud and mobile application development and integration solutions. The sale closed in July 2013 for a purchase price of $44.3 million. Our operating performance was adversely impacted by temporarily higher expense levels and restructuring costs as we transitioned away from the product lines we divested.

In the second phase of the Plan, we began to unify the product capabilities of our core product lines with the goal of refining and enhancing our next generation, feature-rich application development and deployment solution targeting the new market category of PaaS. To that end, during fiscal year 2013, we added new functionalities to our existing products in furtherance of the Plan. We also completed the acquisition of Rollbase, Inc., a provider of application development software technology that allows the rapid design, development and deployment of on-demand business applications. Lastly, in July 2013, we announced the release of Progress Pacific, which provides users with the freedom to choose the development environment tools, data sources, deployment environments and devices that best fit business and user needs. It is comprised of Rollbase and DataDirect Cloud, together with assets from our OpenEdge, DataDirect and Corticon products.

As a result of our renewed focus on our core products, the enhancements to our existing products and improvement in our cost structure, we experienced improved financial performance during fiscal year 2013. However, we are still in the early stages of our transition to becoming a leading vendor in the cloud-based PaaS market. As a result, we anticipate continued reinvestment in our products will be necessary and sustainable increases in revenue may not be foreseeable in the near term. Overall, our investments to improve our product lines require time to impact performance.

In addition, our new business focus and new strategy has required us to restructure our organization and the way we go to market, how we implement product roadmaps and how we operate and report our financial results, all of which caused additional disruption and could cause further disruption in the future as we implement our new go to market plans. Our cloud strategy will require continued investment in product development and cloud operations as well as a change in the way we price and deliver our products.

As part of the Plan, in April 2012 our Board of Directors authorized us to repurchase $350.0 million of our common stock through fiscal year 2013, and in October 2012, under the authorization, we announced the adoption of a Rule 10b5-1 plan to repurchase up to $250.0 million of our common stock through June 30, 2013, or earlier. We completed the plan in May 2013, having repurchased 11.7 million shares for $250.0 million. In July 2013, our Board of Directors increased the authorization to $360.0 million, and we launched a new Rule 10b5-1 plan to repurchase up to $100.0 million of our common stock through December 31, 2013, or earlier. We completed this plan in October 2013, having repurchased 4.0 million shares for $100.0 million. Through November 30, 2013, we have repurchased a total of 16.1 million shares for $357.9 million under the authorization.

In January 2014, our Board of Directors authorized a new $100.0 million share repurchase program. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

We derive a significant portion of our revenue from international operations, which are primarily conducted in foreign currencies. As a result, changes in the value of these foreign currencies relative to the U.S. dollar have significantly impacted our results of operations and may impact our future results of operations.

We believe that existing cash balances, together with funds generated from operations and amounts available under our revolving credit line will be sufficient to finance our operations and meet our foreseeable cash requirements through at least the next twelve months.

**Results of Operations**

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

| | Percentage of Total Revenue | | | Percentage Change | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2013 Compared to 2012 | 2012 Compared to 2011 |
| Revenue: | | | | | |
| Software licenses | 37 % | 34% | 33 % | 15 % | (3)% |
| Maintenance and services | 63 | 66 | 67 | — | (6) |
| Total revenue | 100 | 100 | 100 | 5 | (5) |
| Costs of revenue: | | | | | |
| Cost of software licenses | 2 | 2 | 1 | 19 | 24 |
| Cost of maintenance and services | 8 | 9 | 9 | (10) | (1) |
| Amortization of acquired intangibles | — | — | 1 | 103 | (67) |
| Total costs of revenue | 10 | 11 | 11 | (4) | (1) |
| Gross profit | 90 | 89 | 89 | 6 | (5) |
| Operating expenses: | | | | | |
| Sales and marketing | 32 | 31 | 25 | 7 | 18 |
| Product development | 17 | 14 | 11 | 29 | 16 |
| General and administrative | 17 | 20 | 19 | (10) | — |
| Amortization of acquired intangibles | — | — | — | (7) | 60 |
| Restructuring expenses | 4 | 2 | 1 | 66 | 118 |
| Acquisition-related expenses | 1 | — | — | * | (60) |
| Total operating expenses | 71 | 67 | 56 | 10 | 13 |
| Income from operations | 19 | 21 | 33 | (6) | (38) |
| Other income (expense) | — | — | — | * | * |
| Income from continuing operations before income taxes | 19 | 21 | 33 | (8) | (37) |
| Provision for income taxes | 7 | 7 | 11 | — | (37) |
| Income from continuing operations | 12 | 14 | 22 | (12) | (37) |
| Income (loss) from discontinued operations, net | 11 | 1 | (4) | * | 121 |
| Net income | 23 % | 15% | 18 % | 58 % | (20)% |

* Not meaningful

**Fiscal Year 2013 Compared to Fiscal Year 2012**

*Revenue*

| *(In thousands)* | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Percentage Change As Reported | Percentage Change Constant Currency |
|---|---|---|---|---|
| Revenue | $ 333,996 | $ 317,612 | 5% | 6% |

Total revenue increased $16.4 million in fiscal year 2013 as compared to fiscal year 2012. Revenue would have increased by 6% if exchange rates had been constant in fiscal year 2013 as compared to exchange rates in effect in fiscal year 2012. The increase in revenue in fiscal year 2013 was primarily a result of an increase in license revenue as further described below.

Changes in prices from fiscal year 2012 to fiscal year 2013 did not have a significant impact on our revenue. Changes in foreign currency exchange rates did not significantly impact our reported revenues on a consolidated basis.

*License Revenue*

| *(In thousands)* | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Percentage Change As Reported | Percentage Change Constant Currency |
|---|---|---|---|---|
| License | $ 122,312 | $ 106,626 | 15% | 15% |
| *As a percentage of total revenue* | *37%* | *34%* | | |

Software license revenue increased $15.7 million, or 15% on an actual and constant currency basis, in fiscal year 2013 as compared to fiscal year 2012. The increase in license revenue in fiscal year 2013 was primarily driven by higher revenue for our OpenEdge products in the North America, EMEA and Asia Pacific regions and our Corticon products in the North America region, offset by lower revenue for DataDirect products due to timing of deal closures on multi-year OEM agreements in prior years.

*Maintenance and Services Revenue*

| *(In thousands)* | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Percentage Change As Reported | Percentage Change Constant Currency |
|---|---|---|---|---|
| Maintenance | $ 202,857 | $ 202,691 | —% | 1% |
| *As a percentage of total revenue* | *61%* | *64%* | | |
| Professional services | $ 8,827 | $ 8,295 | 6% | 3% |
| *As a percentage of total revenue* | *3%* | *2%* | | |
| Total maintenance and services revenue | $ 211,684 | $ 210,986 | —% | —% |
| *As a percentage of total revenue* | *63%* | *66%* | | |

Maintenance and services revenue increased $0.7 million in fiscal year 2013 as compared to fiscal year 2012. Maintenance and services revenue remained essentially flat in fiscal year 2013 as the loss of revenue from non-renewing customers offset the growth in maintenance revenue associated with new license sales on an as reported and constant currency basis. Professional services revenue increased in fiscal year 2013 due to the timing of professional service engagements.

*Revenue by Region*

| *(In thousands)* | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Percentage Change As Reported | Percentage Change Constant Currency |
|---|---|---|---|---|
| North America | $ 154,279 | $ 142,659 | 8 % | 8 % |
| *As a percentage of total revenue* | *46%* | *45%* | | |
| EMEA | $ 133,600 | $ 125,566 | 6 % | 5 % |
| *As a percentage of total revenue* | *40%* | *39%* | | |
| Latin America | $ 25,370 | $ 28,335 | (10)% | (3)% |
| *As a percentage of total revenue* | *8%* | *9%* | | |
| Asia Pacific | $ 20,747 | $ 21,052 | (1)% | 4 % |
| *As a percentage of total revenue* | *6%* | *7%* | | |

Total revenue generated in North America increased $11.6 million, and total revenue generated outside North America increased $4.8 million, in fiscal year 2013 as compared to fiscal year 2012. Total revenue generated in markets outside North America represented 54% of total revenue in fiscal year 2013 compared to 55% of total revenue in fiscal year 2012. Total revenue generated in markets outside North America would have represented 54% of total revenue if exchange rates had been constant in fiscal year 2013 as compared to the exchange rates in effect in fiscal year 2012.

*Cost of Software Licenses*

| *(In thousands)* | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Percentage Change |
|---|---|---|---|
| Cost of software licenses | $ 6,889 | $ 5,776 | 19% |
| *As a percentage of software license revenue* | *6%* | *5%* | |
| *As a percentage of total revenue* | *2%* | *2%* | |

Cost of software licenses consists primarily of costs of royalties, electronic software distribution costs, duplication and packaging. Cost of software licenses increased $1.1 million in fiscal year 2013 as compared to fiscal year 2012, and increased as a percentage of software license revenue from 5% to 6%. The dollar increase was primarily due to higher 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*

| *(In thousands)* | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Percentage Change |
|---|---|---|---|
| Cost of maintenance and services | $ 26,753 | $ 29,878 | (10)% |
| *As a percentage of maintenance and services revenue* | *13%* | *14%* | |
| *As a percentage of total revenue* | *8%* | *9%* | |

Cost of maintenance and services consists primarily of costs of providing customer support, education and consulting. Cost of maintenance and services decreased $3.1 million in fiscal year 2013 as compared to fiscal year 2012, and decreased as a percentage of maintenance and services revenue from 14% to 13%. The decrease in fiscal year 2013 was the result of cost savings due to our restructuring actions which were initiated in the second half of fiscal year 2012.

*Amortization of Acquired Intangibles*

| (In thousands) | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Percentage Change |
|---|---|---|---|
| Amortization of acquired intangibles | $ 1,340 | $ 660 | 103% |
| *As a percentage of total revenue* | *—%* | *—%* | |

Amortization of acquired intangibles included in costs of revenue primarily represents the amortization of the value assigned to intangible assets for technology obtained in business combinations. Amortization of acquired intangibles increased $0.7 million in fiscal year 2013 as compared to fiscal year 2012. The increase was due to amortization of intangible assets acquired with the Rollbase acquisition, which was completed in the second quarter of fiscal year 2013, offset by decreases due to the completion of amortization of certain intangible assets acquired in prior years.

*Gross Profit*

| (In thousands) | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Percentage Change |
|---|---|---|---|
| Gross profit | $ 299,014 | $ 281,298 | 6% |
| *As a percentage of total revenue* | *90%* | *89%* | |

Our gross profit increased $17.7 million in fiscal year 2013 as compared to fiscal year 2012, and our gross profit as a percentage of total revenue increased from 89% to 90%. The dollar increase in our gross profit was primarily due to higher license revenue and lower cost of maintenance and services.

*Sales and Marketing*

| (In thousands) | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Percentage Change |
|---|---|---|---|
| Sales and marketing | $ 105,997 | $ 98,838 | 7% |
| *As a percentage of total revenue* | *32%* | *31%* | |

Sales and marketing expenses increased $7.2 million in fiscal year 2013 as compared to fiscal year 2012, and increased as a percentage of total revenue from 31% to 32%. The increase in sales and marketing expense in fiscal year 2013 was primarily due to the increase in marketing programs related to our core products, which was lower in 2012 as a result of our divestiture of several product lines and implementation of our new strategic plan announced in April 2012. The increase was partially offset by lower-compensation related costs in fiscal year 2013 as a result of headcount reduction actions, which occurred in the second half of fiscal year 2012. The increase was also offset by incremental compensation-related expenses of $1.4 million recognized in fiscal year 2012 due to the separation of one of our sales and marketing executives that did not recur in fiscal year 2013.

*Product Development*

| (In thousands) | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Percentage Change |
|---|---|---|---|
| Product development costs | $ 58,172 | $ 44,443 | 31% |
| Capitalized product development costs | (836) | — | 100% |
| Total product development expense | $ 57,336 | $ 44,443 | 29% |
| *As a percentage of total revenue* | *17%* | *14%* | |

Product development expenses increased $12.9 million in fiscal year 2013 as compared to fiscal year 2012, and increased as a percentage of revenue from 14% to 17%. The increase was primarily due to higher costs related to our new product development strategy, including higher expenses related to building our Progress Pacific platform. The increase was offset by lower compensation-related costs in fiscal year 2013 as a result of headcount reduction actions, which occurred in the second half of fiscal year 2012, and the deferral of capitalized product development costs related to our Progress Pacific platform in fiscal year 2013.

*General and Administrative*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | Percentage Change |
| General and administrative | $ 55,994 | $ 61,989 | (10)% |
| *As a percentage of total revenue* | *17%* | *20%* | |

General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses decreased $6.0 million in fiscal year 2013 as compared to fiscal year 2012, and decreased as a percentage of revenue from 20% to 17%. The decrease in fiscal year 2013 was primarily due to incremental costs incurred in fiscal year 2012 for stock-based compensation associated with the hiring of a new Chief Executive Officer in December 2011, $0.9 million for a litigation settlement and $3.2 million of proxy-related costs. The decrease was also the result of cost savings in fiscal year 2013 from our restructuring actions and other cost control measures, which were initiated in the second half of fiscal year 2012.

*Amortization of Acquired Intangibles*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | Percentage Change |
| Amortization of acquired intangibles | $ 760 | $ 820 | (7)% |
| *As a percentage of total revenue* | *—%* | *—%* | |

Amortization of acquired intangibles included in operating expenses primarily represents the amortization of value assigned to intangible assets obtained in business combinations other than assets identified as purchased technology. Amortization of these acquired intangibles decreased 7% in fiscal year 2013 as compared to fiscal year 2012 due to the completion of amortization of certain intangible assets acquired in prior years, offset by the amortization of intangible assets associated with the Rollbase acquisition, which was completed during the second quarter of fiscal year 2013.

*Restructuring Expenses*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | Percentage Change |
| Restructuring expenses | $ 11,983 | $ 7,204 | 66% |
| *As a percentage of total revenue* | *4%* | *2%* | |

We incurred restructuring expenses of $12.0 million in fiscal year 2013 as compared to $7.2 million in fiscal year 2012. Restructuring expenses in fiscal year 2013 relate to the restructuring actions occurring in fiscal years 2013 and 2012. See Note 14 to the Consolidated Financial Statements in Item 8 of this Form 10-K for additional details, including types of expenses incurred and the timing of future expenses and cash payments. See also "Liquidity and Capital Resources".

*Acquisition-Related Expenses*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | Percentage Change |
| Acquisition-related expenses | $ 3,204 | $ 215 | 1,390% |
| *As a percentage of total revenue* | *1%* | *—%* | |

Acquisition-related expenses increased in fiscal year 2013 compared to fiscal year 2012 due to expenses related to earn-out provisions which were part of the Rollbase acquisition, plus a $1.0 million termination fee for a pre-existing licensing arrangement between Rollbase and another third-party. The fiscal year 2012 expenses related to the acquisition of Corticon, which occurred in the fourth quarter of fiscal year 2011.

*Income from Operations*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | Percentage Change |
| Income from operations | $ 63,740 | $ 67,789 | (6)% |
| *As a percentage of total revenue* | *19%* | *21%* | |

Income from operations decreased $4.0 million in fiscal year 2013 as compared to fiscal year 2012, and decreased as a percentage of total revenue from 21% to 19%. As discussed above, the decrease was primarily the result of higher operating expenses, most notably product development, restructuring and acquisition-related expenses. The decrease was also due to the absorption into our continuing operations of costs previously required to support our divested product lines.

*Other (Expense) Income*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | Percentage Change |
| Interest income and other | $ 1,201 | $ 2,574 | (53)% |
| Foreign currency loss | (2,158) | (2,378) | 9 |
| Total other (expense) income, net | $ (957) | $ 196 | (588)% |
| *As a percentage of total revenue* | *— %* | *—%* | |

Other (expense) income decreased $1.2 million in fiscal year 2013 as compared to fiscal year 2012. The decrease in interest income was due to lower cash balances and lower interest rates in certain countries during fiscal year 2013 and additional interest income on tax credits during fiscal year 2012 that did not recur in fiscal year 2013. The decrease was also due to the $0.4 million realized loss related to the settlement of an auction rate security during fiscal year 2013. The change in foreign currency losses was a result of movements in exchange rates and the impact on our intercompany receivables and payables denominated in currencies other than local currencies.

*Provision for Income Taxes*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | Percentage Change |
| Provision for income taxes | $ 23,006 | $ 23,031 | — % |
| *As a percentage of total revenue* | *7%* | *7%* | |

Our effective tax rate was 37% in fiscal year 2013 and 34% in fiscal year 2012. The lower rate in fiscal year 2012 was primarily due a larger percentage of profit before tax earned overseas in fiscal year 2012 versus fiscal year 2013 at an effective rate lower than the US effective tax rate. In addition, fiscal year 2012 benefited from the recognition of a previously unrecognized tax benefit due to the expiration of the statute of limitations. Fiscal year 2013 benefited from a reinstatement of the research and development credit in the tax code in January 2013 with a retroactive effective date to January 1, 2012 that allowed us to benefit from the credit in fiscal year 2013 for the period of January to November 2012.

*Net Income*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | Percentage Change |
| Income from continuing operations | $ 39,777 | $ 44,954 | (12)% |
| Income (loss) from discontinued operations | 35,130 | 2,490 | 1,311 % |
| Net income | $ 74,907 | $ 47,444 | 58 % |

Income (loss) from discontinued operations includes the revenues and direct expenses of the product lines we divested in fiscal year 2012 and the first quarter of fiscal year 2013 and the Apama product line, which was sold in July 2013. In fiscal year 2013, the income from discontinued operations includes the pre-tax gain on the sales of our Actional, Artix, DataXtend, ObjectStore, Orbacus, Orbix, Savvion and Sonic product lines of $35.7 million and the pre-tax gain on sale of the Apama product line of $35.9 million. In fiscal year 2012, it includes the gains on sales of our FuseSource and Shadow product lines of $19.8 million and $25.3 million, respectively, and an impairment loss of $8.6 million related to our Artix, Orbacus and Orbix assets, which were classified as held for sale in our consolidated balance sheet at November 30, 2012. The impairment loss represented the write down of the assets to fair value. See Note 7 of the Consolidated Financial Statements appearing in Item 8 of this Annual Report for additional information related to our discontinued product lines.

**Fiscal 2012 Compared to Fiscal 2011**

*Revenue*

| | Fiscal Year Ended | | Percentage Change | |
|---|---|---|---|---|
| *(In thousands)* | November 30, 2012 | November 30, 2011 | As Reported | Constant Currency |
| Revenue | $ 317,612 | $ 333,610 | (5)% | (2)% |

Total revenue decreased $16.0 million in fiscal year 2012 as compared to fiscal year 2011. The decrease in revenue in fiscal year 2012 was primarily a result of the disruption caused by the announcement of our Plan and its impact on our employees, customers and partners. In particular, we encountered a delay in purchasing decisions, which resulted in deal slippage at a greater rate than normal. We believe this was caused both by uncertainty surrounding our Plan and generally deteriorating macroeconomic conditions, primarily in Europe.

Changes in prices from fiscal year 2011 to fiscal year 2012 did not have a significant impact on our revenue.

*License Revenue*

| | Fiscal Year Ended | | Percentage Change | |
|---|---|---|---|---|
| *(In thousands)* | November 30, 2012 | November 30, 2011 | As Reported | Constant Currency |
| License | $ 106,626 | $ 109,966 | (3)% | (1)% |
| *As a percentage of total revenue* | *34%* | *33%* | | |

Software license revenue decreased in fiscal year 2012 as compared to fiscal year 2011. Software license revenue would have decreased by 1% if exchange rates had been constant in fiscal year 2012 as compared to exchange rates in effect in fiscal year 2011. Excluding the impact of changes in exchange rates, the decrease in license revenue is due to the disruption caused by the announcement of our Plan.

*Maintenance and Services Revenue*

| *(In thousands)* | Fiscal Year Ended November 30, 2012 | Fiscal Year Ended November 30, 2011 | Percentage Change As Reported | Percentage Change Constant Currency |
|---|---|---|---|---|
| Maintenance | $ 202,691 | $ 211,300 | (4)% | — % |
| *As a percentage of total revenue* | *64%* | *63%* | | |
| Professional services | $ 8,295 | $ 12,344 | (33)% | (30)% |
| *As a percentage of total revenue* | *2%* | *4%* | | |
| Total maintenance and services revenue | $ 210,986 | $ 223,644 | (6)% | (2)% |
| *As a percentage of total revenue* | *66%* | *67%* | | |

Maintenance and services revenue decreased $12.7 million in fiscal year 2012 as compared to fiscal year 2011. Maintenance and services revenue would have decreased by 2% if exchange rates had been constant in fiscal year 2012 as compared to exchange rates in effect in fiscal year 2011. Excluding the impact of changes in exchange rates, the decrease in maintenance and services revenue was primarily the result of lower license revenue due to the associated services that are attached to license sales. The decrease in professional services revenue was also impacted by the shift away from our Responsive Process Management suite, or RPM, strategy.

*Revenue by Region*

| *(In thousands)* | Fiscal Year Ended November 30, 2012 | Fiscal Year Ended November 30, 2011 | Percentage Change As Reported | Percentage Change Constant Currency |
|---|---|---|---|---|
| North America | $ 142,659 | $ 142,214 | — % | — % |
| *As a percentage of total revenue* | *45%* | *43%* | | |
| EMEA | $ 125,566 | $ 140,033 | (10)% | (5)% |
| *As a percentage of total revenue* | *39%* | *42%* | | |
| Latin America | $ 28,335 | $ 31,039 | (9)% | 3 % |
| *As a percentage of total revenue* | *9%* | *9%* | | |
| Asia Pacific | $ 21,052 | $ 20,324 | 4 % | 3 % |
| *As a percentage of total revenue* | *7%* | *6%* | | |

Total revenue generated in North America increased $0.4 million, and total revenue generated outside North America decreased $16.4 million, in fiscal year 2012 as compared to fiscal year 2011. The decrease in revenue in EMEA was primarily the result of deteriorating macroeconomic conditions in Europe, as well as the announcement of our Plan. Total revenue generated in markets outside North America represented 55% of total revenue in fiscal year 2012 compared to 57% of total revenue in fiscal year 2011. Total revenue generated in markets outside North America would have represented 57% of total revenue if exchange rates had been constant in fiscal year 2012 as compared to the exchange rates in effect in fiscal 2011.

*Cost of Software Licenses*

| *(In thousands)* | Fiscal Year Ended November 30, 2012 | Fiscal Year Ended November 30, 2011 | Percentage Change |
|---|---|---|---|
| Cost of software licenses | $ 5,776 | $ 4,640 | 24% |
| *As a percentage of software license revenue* | *5%* | *4%* | |
| *As a percentage of total revenue* | *2%* | *1%* | |

Cost of software licenses consists primarily of costs of royalties, electronic software distribution costs, duplication and packaging. Cost of software licenses increased $1.1 million in fiscal year 2012 as compared to fiscal year 2011, and increased as a percentage of software license revenue 4% to 5%. The dollar increase was primarily due to higher royalty expense for products and technologies licensed or resold from third parties due to higher license revenues. 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*

| *(In thousands)* | Fiscal Year Ended November 30, 2012 | Fiscal Year Ended November 30, 2011 | Percentage Change |
|---|---|---|---|
| Cost of maintenance and services | $ 29,878 | $ 30,143 | (1)% |
| *As a percentage of maintenance and services revenue* | *14%* | *13%* | |
| *As a percentage of total revenue* | *9%* | *9%* | |

Cost of maintenance and services consists primarily of costs of providing customer support, education and consulting. Cost of maintenance and services decreased $0.3 million in fiscal year 2012 as compared to fiscal year 2011 and increased as a percentage of maintenance and services revenue from 13% to 14%. The total dollar amount of expense in fiscal year 2012 decreased as a result of lower maintenance and professional services revenue in fiscal year 2012 as compared with fiscal year 2011.

*Amortization of Acquired Intangibles*

| *(In thousands)* | Fiscal Year Ended November 30, 2012 | Fiscal Year Ended November 30, 2011 | Percentage Change |
|---|---|---|---|
| Amortization of acquired intangibles | $ 660 | $ 1,994 | (67)% |
| *As a percentage of total revenue* | *—%* | *1%* | |

Amortization of acquired intangibles included in costs of revenue primarily represents the amortization of the value assigned to intangible assets for technology obtained in business combinations. Amortization of acquired intangibles decreased $1.3 million in fiscal year 2012 as compared to fiscal year 2011. The decrease was due to the completion of amortization of certain intangible assets acquired in prior years.

*Gross Profit*

| *(In thousands)* | Fiscal Year Ended November 30, 2012 | Fiscal Year Ended November 30, 2011 | Percentage Change |
|---|---|---|---|
| Gross profit | $ 281,298 | $ 296,833 | (5)% |
| *As a percentage of total revenue* | *89%* | *89%* | |

Our gross profit decreased $15.5 million in fiscal year 2012 as compared to fiscal year 2011, and our gross profit as a percentage of total revenue remained at 89%. The dollar decrease in our gross profit was due to lower revenues, partially offset by lower amortization expense of acquired intangibles, as described above.

*Sales and Marketing*

| *(In thousands)* | Fiscal Year Ended November 30, 2012 | Fiscal Year Ended November 30, 2011 | Percentage Change |
|---|---|---|---|
| Sales and marketing | $ 98,838 | $ 83,815 | 18% |
| *As a percentage of total revenue* | *31%* | *25%* | |

Sales and marketing expenses increased $15.0 million in fiscal year 2012 as compared to fiscal year 2011, and increased as a percentage of total revenue from 25% to 31%. The increase in sales and marketing expense was due to a $9.8 million increase in compensation-related expenses due to the focus on our Core product lines and $1.7 million of incremental compensation-related expenses due to the separation of two of our sales and marketing executives.

*Product Development*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2012 | November 30, 2011 | Percentage Change |
| Product development costs | $ 44,443 | $ 38,183 | 16% |
| *As a percentage of total revenue* | *14%* | *11%* | |

Product development expenses increased $6.3 million in fiscal year 2012 as compared to fiscal year 2011, and increased as a percentage of revenue from 11% to 14%. The increase in product development expenses is primarily due to higher headcount from the Corticon acquisition, which was completed in the fourth quarter of fiscal year 2011. The increases in product development expenses were partially offset by cost savings from our restructuring actions undertaken as part of the Plan.

*General and Administrative*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2012 | November 30, 2011 | Percentage Change |
| General and administrative | $ 61,989 | $ 61,772 | —% |
| *As a percentage of total revenue* | *20%* | *19%* | |

General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses increased $0.2 million in fiscal year 2012 as compared to fiscal year 2011, and increased as a percentage of revenue from 19% to 20%. The increase in fiscal year 2012 was primarily due to stock-based compensation costs associated with the hiring of a new Chief Executive Officer in December 2011, incremental compensation-related expenses due to the separation of our Chief Financial Officer in April 2012, a $0.9 million litigation settlement, proxy contest-related costs and costs associated with the Plan. The increases were partially offset by cost savings from our restructuring actions and other cost control measures and increased compensation-related costs in fiscal year 2011 related to the severance agreement entered into with Richard D. Reidy, a former Chief Executive Officer.

*Amortization of Acquired Intangibles*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2012 | November 30, 2011 | Percentage Change |
| Amortization of acquired intangibles | $ 820 | $ 513 | 60% |
| *As a percentage of total revenue* | *—%* | *—%* | |

Amortization of acquired intangibles included in operating expenses primarily represents the amortization of value assigned to intangible assets obtained in business combinations other than assets identified as purchased technology. Amortization of these acquired intangibles increased $0.3 million in fiscal year 2012 as compared to fiscal year 2011. The increase was due to the amortization of intangible assets acquired with the Corticon acquisition, which was completed in the fourth quarter of fiscal year 2011.

*Restructuring Expenses*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2012 | November 30, 2011 | Percentage Change |
| Restructuring expenses | $ 7,204 | $ 3,302 | 118% |
| *As a percentage of total revenue* | *2%* | *1%* | |

We incurred restructuring expenses of $7.2 million in fiscal year 2012 as compared to $3.3 million in fiscal year 2011. Restructuring expenses in fiscal year 2012 relate to the restructuring actions announced as part of the Plan. See Note 14 to the Consolidated Financial Statements in Item 8 of this Annual Report for additional details, including types of expenses incurred and the timing of future expenses and cash payments. See also the Liquidity and Capital Resources section of this Item 7 of this Annual Report.

Restructuring expenses in fiscal year 2011 included ongoing costs related to the decisions from our restructuring activities occurring in the third quarter of fiscal year 2010.

*Acquisition-Related Expenses*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2012 | November 30, 2011 | Percentage Change |
| Acquisition-related expenses | $ 215 | $ 536 | (60)% |
| *As a percentage of total revenue* | *—%* | *—%* | |

Acquisition-related expenses in fiscal years 2012 and 2011 are transaction-related costs, primarily professional services fees, employee severance and facility closing costs associated with the acquisition of Corticon.

*Income from Operations*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2012 | November 30, 2011 | Percentage Change |
| Income from operations | $ 67,789 | $ 108,712 | (38)% |
| *As a percentage of total revenue* | *21%* | *33%* | |

Income from operations decreased $40.9 million in fiscal year 2012 as compared to fiscal year 2011, and decreased as a percentage of total revenue from 33% to 21%. As discussed above, the decrease was primarily the result of lower revenues and higher operating expenses in fiscal year 2012 as compared to fiscal year 2011.

*Other Income (Expense)*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2012 | November 30, 2011 | Percentage Change |
| Interest income and other | $ 2,574 | $ 1,999 | 29% |
| Foreign currency gain (loss) | (2,378) | (2,518) | 6% |
| Total other income (expense), net | $ 196 | $ (519) | 138% |
| *As a percentage of total revenue* | *—%* | *— %* | |

Other income (expense) increased $0.7 million in fiscal year 2012 as compared to fiscal year 2011. The increase was due to an increase in miscellaneous income and the decreases in foreign currency losses.

*Provision for Income Taxes*

| (In thousands) | Fiscal Year Ended November 30, 2012 | November 30, 2011 | Percentage Change |
|---|---|---|---|
| Provision for income taxes | $ 23,031 | $ 36,804 | (37)% |
| *As a percentage of total revenue* | *7%* | *11%* | |

Our effective tax rate remained flat at 34% in fiscal years 2012 and 2011. Fiscal year 2011 benefited from a reinstatement of the research and development credit in the tax code in December 2010 with a retroactive effective date to January 1, 2010 that allowed us to benefit from the credit in fiscal year 2011 for the period of January to November 2010. Fiscal year 2012 benefited from a lower effective tax rate on foreign earnings, and from the recognition of a previously unrecognized tax benefit due to the expiration of the statute of limitations.

*Net Income*

| (In thousands) | Fiscal Year Ended November 30, 2012 | November 30, 2011 | Percentage Change |
|---|---|---|---|
| Income from continuing operations | $ 44,954 | $ 71,389 | (37)% |
| Income (loss) from discontinued operations | 2,490 | (11,760) | *121 %* |
| Net income | $ 47,444 | $ 59,629 | (20)% |

Income (loss) from discontinued operations includes the revenues and direct expenses of the product lines we divested in fiscal year 2012 and the first quarter of fiscal year 2013 and the Apama product line, which was sold in July 2013. In fiscal year 2012, it includes the gains on sales of our FuseSource and Shadow product lines of $19.8 million and $25.3 million, respectively, and an impairment loss of $8.6 million related to our Artix, Orbacus and Orbix assets, which were classified as held for sale in our consolidated balance sheet at November 30, 2012. The impairment loss represented the write down of the assets to fair value. See Note 7 of the Consolidated Financial Statements appearing in Item 8 of this Annual Report for additional information related to our discontinued product lines.

**Liquidity and Capital Resources**

*Cash, Cash Equivalents and Short-Term Investments*

| (In thousands) | November 30, 2013 | November 30, 2012 |
|---|---|---|
| Cash and cash equivalents | $ 198,818 | $ 301,792 |
| Short-term investments | 32,622 | 53,425 |
| Total cash, cash equivalents and short-term investments | $ 231,440 | $ 355,217 |

The decrease in cash, cash equivalents and short-term investments of $123.8 million since the end of fiscal year 2012 was primarily due to repurchases of our common stock of $276.5 million, and the payment, net of cash acquired, for the acquisition of Rollbase of $9.5 million. The decrease was partially offset by proceeds from the sales of our Actional, Artix, DataXtend, ObjectStore, Orbacus, Orbix, Savvion, Sonic and Apama product lines of $111.1 million, issuances of common stock upon exercise of stock options and employee stock purchases of $54.4 million, and cash inflows from operations of $4.6 million. Except as described below, there are no limitations on our ability to access our cash, cash equivalents and short-term investments.

Cash, cash equivalents and short-term investments held by our foreign subsidiaries was $113.8 million and $138.2 million at November 30, 2013 and 2012, respectively. At November 30, 2013 and 2012, the net undistributed earnings of our foreign subsidiaries was $32.9 million and $33.2 million, respectively, and are considered to be permanently reinvested; as such, they are not available to fund our domestic operations. If we were to repatriate the earnings, they would be subject to taxation in the U.S., but would primarily be offset by foreign tax credits. We do not believe this has a material impact on our liquidity.

*Share Repurchase Program*

In April 2012, our Board of Directors authorized us to repurchase $350.0 million of our common stock through fiscal year 2013, and in October 2012, under the authorization, we announced the adoption of a Rule 10b5-1 plan to repurchase up to $250.0 million of our common stock through June 30, 2013, or earlier. We completed the plan in May 2013, having repurchased 11.7 million shares for $250.0 million. In July 2013, our Board of Directors increased the authorization to $360.0 million, and we launched a new Rule 10b5-1 plan to repurchase up to $100.0 million of our common stock through December 31, 2013, or earlier. We completed this plan in October 2013, having repurchased 4.0 million shares for $100.0 million. Through November 30, 2013, we have repurchased a total of 16.1 million shares for $357.9 million under the authorization.

In January 2014, our Board of Directors authorized a new $100.0 million share repurchase program. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

*Divestiture of Non-Core Product Lines*

In fiscal year 2012 and the first quarter of fiscal year 2013, we entered into definitive purchase and sale agreements to divest the ten product lines which were not considered core to our business and all of the divestitures were completed by the end of the first quarter of fiscal year 2013. The aggregate purchase price was approximately $130.0 million. In June 2013, we entered into a definitive purchase and sale agreement to divest our Apama product line to Software AG. The sale closed in July 2013 for a purchase price of $44.3 million.

The cash flows of our continuing and discontinued operations have not been segregated in our statements of cash flows. The divestitures of these product lines will reduce our cash flows in future periods, including our operating cash flows, due to the loss of revenue offset by the elimination of direct expenses associated with the divested product lines and other cost savings actions.

*Restructuring Activities*

During the third quarter of fiscal year 2013, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of the sale of the Apama product line and the divestitures completed during the fourth quarter of fiscal year 2012 and the first quarter of fiscal year 2013. We reduced our global workforce primarily within the administrative and sales organizations. This workforce reduction was conducted across all geographies and also resulted in the closing of certain facilities.

The total costs of the restructuring primarily relate to employee costs, including severance, health benefits, outplacement services and transition divestiture incentives, but excluding stock-based compensation. Facilities costs include fees to terminate lease agreements and costs for unused space, net of sublease assumptions. Other costs include costs to terminate automobile leases of employees included in the workforce reduction, asset impairment charges for assets no longer deployed as part of cost reduction strategies, costs for unused software licenses as part of the workforce reduction and other costs directly associated with the restructuring actions taken.

As part of the 2013 restructuring, we incurred expenses in fiscal year 2013 totaling $8.7 million, of which $1.1 million represents excess facilities and other costs and $7.6 million represents employee severance and related benefits. The expenses are recorded as restructuring expenses in the condensed consolidated statements of income, with the exception of $0.4 million included in income (loss) from discontinued operations. We do not expect to incur additional material costs with respect to the 2013 restructuring.

As of November 30, 2013, $1.6 million of the $8.7 million expensed in fiscal year 2013 remains unpaid. We expect to pay the portion of this balance relating to employee severance in the next twelve months and we expect to the pay the remaining portion of the balance related to excess facilities through fiscal year 2017.

During the second quarter of fiscal year 2012, as part of the Plan, our management approved, committed to and initiated certain operational restructuring initiatives to reduce annual costs, including the simplification of our organizational structure and the consolidation of facilities.

As part of the 2012 restructuring, we incurred expenses in fiscal year 2012 totaling $4.3 million, of which $1.5 million represents excess facilities and other costs and $2.8 million represents employee severances and related benefits. We do not expect to incur additional material costs with respect to the 2012 restructuring.

As of November 30, 2013, $0.9 million of the cumulative expenses recognized under the 2012 restructuring remains unpaid. The majority of this balance relates to excess facilities costs, which we expect to pay through fiscal year 2016.

*Revolving Credit Facility*

On August 15, 2011, we entered into a credit agreement (the "Credit Agreement") for an unsecured credit facility with J.P. Morgan and other lenders that matures on August 15, 2016, at which time all amounts outstanding must be repaid. The credit facility provides for a revolving line of credit in the amount of $150.0 million, with a sublimit for the issuance of standby letters of credit in a face amount up to $25.0 million and swing line loans up to $20.0 million. The credit facility also permits us to increase the revolving line of credit by up to an additional $75.0 million subject to receiving further commitments from lenders and certain other conditions. We intend to utilize the line of credit for general corporate purposes, including acquisitions, stock repurchases and working capital.

Revolving loans accrue interest at a per annum rate based on our choice of either (i) the LIBOR rate plus a margin ranging from 1.25% to 1.75% or (ii) the base rate plus a margin ranging from 0.25% to 0.75%, both depending on our consolidated leverage ratio. The base rate is defined as the highest of (i) the administrative agent’s prime rate (ii) the federal funds rate plus 1/2 of 1.00%, and (iii) the LIBOR rate for a one month interest period plus a margin equal to 1.00%. A quarterly commitment fee on the undrawn portion of the revolving credit facility is required, at a per annum rate ranging from 0.25% to 0.35%, depending on our consolidated leverage ratio. The loan origination fee and issuance costs incurred upon consummation of the Credit Agreement are being amortized through interest expense using the effective interest rate method, over the five-year term of the facility. Other customary fees and letter of credit fees may be charged and will be expensed as they are incurred.

Accrued interest on the loans is payable quarterly in arrears with respect to base rate loans and at the end of each interest rate period (or at each three month interval in the case of loans with interest periods greater than three months) with respect to LIBOR rate loans. We may prepay, terminate or reduce the loan commitments in whole or in part at any time, without premium or penalty, subject to certain conditions and reimbursement of certain costs in the case of LIBOR rate loans.

The Credit Agreement contains customary affirmative and negative covenants, including a requirement to maintain a balance of at least $100.0 million in cash and cash equivalents while making restricted equity-related payments (e.g. cash dividend distributions or share repurchases of our common stock). We are also required to maintain compliance with a consolidated leverage ratio of no greater than 3.00 to 1.00 and a consolidated interest coverage ratio of at least 3.00 to 1.00. As of November 30, 2013, there were no amounts outstanding under the revolving line and $0.8 million of letters of credit outstanding. We are in compliance with our covenants by a significant margin.

*Auction Rate Securities*

In addition to the $231.4 million of cash, cash equivalents and short-term investments, we had investments with a fair value of $24.8 million related to auction rate securities (ARS). ARS with a fair value of $1.5 million are included in the short-term investments balance as discussed further below. 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 10 to 29 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. As of November 30, 2013, our ARS investments totaled $30.7 million at par value. These ARS are classified as available-for-sale securities.

During the fourth quarter of fiscal year 2013, the exit bankruptcy plan for an issuer of one of our ARS, which was in default and on whose behalf the underlying bond insurer was making interest payments, was approved by a federal bankruptcy judge in federal court. The exit bankruptcy plan included a settlement provision with the holders of the ARS, which were given the option to receive 80% of the par value of their holdings, but renounce their claim with the bond issuer, or receive 65% of the par value of their holdings and retain their insurance rights. We accepted the 80% settlement offer, and as a result we adjusted the fair value of this ARS to the amount of the settlement as of November 30, 2013. The previously recognized unrealized loss associated with this ARS has been recorded as a realized loss in fiscal year 2013 due to the settlement, which we received in December 2013. The realized loss of $0.4 million is recorded in other income (expense) in the consolidated statement of income for the fiscal year ended November 30, 2013. As this investment no longer lacks short-term liquidity, it is classified as a short-term investment on our consolidated balance sheet at November 30, 2013.

For each of our ARS classified as available-for-sale for which the issuer is not in default, 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 these ARS investments is $24.8 million at November 30, 2013, and we have recorded a temporary impairment charge in accumulated other comprehensive income of $4.0 million to reduce the value of these available-for-sale ARS investments. We will not be able to access these remaining funds until future auctions for these ARS are 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 our consolidated balance sheet at November 30, 2013.

Based on our cash and short-term investments balance of $231.4 million, expected operating cash flows and the availability of funds under our revolving credit facility, we do not anticipate the lack of liquidity associated with our 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.

*Cash Flows from Operating Activities*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Net income | $ 74,907 | $ 47,444 | $ 59,629 |
| Non-cash reconciling items included in net income | (26,335) | 23,561 | 65,549 |
| Changes in operating assets and liabilities | (43,992) | 33,110 | 1,116 |
| Net cash flows from operating activities | $ 4,580 | $ 104,115 | $ 126,294 |

The decrease in cash generated from operations in fiscal year 2013 as compared to fiscal year 2012 was primarily due to $56.3 million in payments made for income taxes related to the divestitures. Total net tax payments made in fiscal year 2013 were $69.9 million, compared to $15.3 million in fiscal year 2012. The decrease is also attributable to an increase in annual bonus payments made in fiscal year 2013 as compared to fiscal year 2012. The decrease from fiscal year 2011 to fiscal year 2012 was primarily due to lower profitability. Total restructuring payments for fiscal years 2013, 2012, and 2011 were $17.7 million, $15.4 million, and $12.0 million, respectively.

Our gross accounts receivable as of November 30, 2013 decreased by $3.9 million from the end of fiscal year 2012. DSO in accounts receivable from continuing operations was 66 days at the end of fiscal year 2013, compared to 67 days at the end of fiscal year 2012. DSO as previously reported was 73 days at the end of fiscal year 2011 for our consolidated results prior to discontinued operations. We target a DSO range of 60 to 75 days.

*Cash Flows from Investing Activities*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Net investment activity | $ 21,033 | $ 55,096 | $ (61,917) |
| Purchases of property and equipment | (4,226) | (7,735) | (17,047) |
| Capitalized software costs | (836) | — | — |
| Payments for acquisitions, net of cash acquired | (9,450) | — | (22,900) |
| Proceeds from divestitures | 111,120 | 46,590 | — |
| Other investing activities | 1,121 | 189 | (433) |
| Net cash flows from investing activities | $ 118,762 | $ 94,140 | $ (102,297) |

Net cash inflows and outflows of our net investment activity is primarily a result of the timing of our purchases and maturities of securities, which are classified as cash equivalents or short-term investments, as well as the timing of acquisitions and divestitures.

We purchased $4.2 million of property and equipment in fiscal year 2013 as compared to $7.7 million in the fiscal year 2012 and $17.0 million in fiscal year 2011. Spending slowed throughout fiscal year 2012 as we neared the implementation of the upgrades to our order management system in the first quarter of fiscal year 2013. Overall purchases consisted primarily of computer equipment and software and building and leasehold improvements.

We acquired 100% of the equity interests in Rollbase, a privately held software vendor for $9.9 million, which included $9.5 million in cash paid, in the second quarter of fiscal year 2013. In fiscal year 2011, we acquired all of the equity interests in Corticon, a privately held business enterprise software company for $22.9 million.

We received $111.1 million and $46.6 million in fiscal years 2013 and 2012, respectively, from the sales of our non-Core and Apama product lines. In the first quarter of fiscal year 2013, we completed the divestitures of our Actional, Artix, DataXtend, ObjectStore, Orbacus, Orbix, Savvion and Sonic product lines, and received proceeds of $75.5 million, which were offset by direct transactions costs. During the third quarter of fiscal year 2013, we completed the divestiture of the Apama product line for a purchase price of $44.3 million, of which $4.5 million is held in escrow to secure indemnification claims, if any, for up to 18 months. The proceeds from the Apama divestiture were also offset by direct transaction costs. In fiscal year 2012, we divested two of our non-Core product lines. The FuseSource product line was sold to Red Hat, Inc. for $21.3 million in September 2012, of which $2.1 million is held in escrow for up to 15 months, and the Shadow product line was sold to Rocket Software, Inc. for $31.9 million in October 2012, of which $3.3 million was held in escrow for 15 months. The proceeds from the Shadow divestiture were also offset by direct transaction costs.

*Cash Flows from Financing Activities*

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Proceeds from stock-based compensation plans | $ 54,430 | $ 29,208 | $ 49,672 |
| Repurchases of common stock | (276,537) | (81,316) | (200,009) |
| Other financing activities | (3,294) | (2,920) | 2,349 |
| Net cash flows from financing activities | $ (225,401) | $ (55,028) | $ (147,988) |

We received $54.4 million in fiscal year 2013 from the exercise of stock options and the issuance of shares under our employee stock purchase plan as compared to $29.2 million in fiscal year 2012 and $49.7 million is fiscal year 2011. In fiscal years 2013 and 2012, we repurchased $276.5 million and $81.3 million, net of unsettled trades, respectively, of our common stock under our $350.0 million stock repurchase plan, which was approved by the Board of Directors in April 2012, and increased by $10.0 million to $360.0 million in June 2013. In fiscal year 2011, we repurchased $200.0 million of our common stock under a previously announced share repurchase plan, which was completed in fiscal year 2011.

*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.

*Liquidity Outlook*

We believe that existing cash balances, together with funds generated from operations and amounts available under the Credit Agreement, will be sufficient to finance our operations and meet our foreseeable cash requirements through at least the next twelve months. We do not contemplate a need for any foreign repatriation of the earnings which we have deemed permanently reinvested. Our foreseeable cash needs include our planned capital expenditures and share repurchases, lease commitments, restructuring obligations and other long-term obligations.

*Revenue Backlog*

| *(In thousands)* | November 30, 2013 | November 30, 2012 |
|---|---|---|
| Deferred revenue, primarily related to unexpired maintenance and support contracts (1) | $ 97,537 | $ 110,391 |
| Multi-year licensing arrangements (2) | 12,577 | 21,554 |
| Open software license orders received but not shipped (2) | — | 11,913 |
| Total revenue backlog | $ 110,114 | $ 143,858 |

(1) Deferred revenue as of November 30, 2012 included the deferred revenue of the Apama product line, which we sold in the third quarter of fiscal year 2013, and $3.6 million of contractual maintenance which had not been invoiced or included on our balance sheet. There is $26.3 million of deferred revenue included on our balance sheet as liabilities held for sale as of November 30, 2012. The contractual maintenance which has not been invoiced relates to a customer who changed its invoicing schedule.
(2) 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. Approximately $2.7 million of our open software license orders received but not shipped as of November 30, 2012 related to the Apama product line.

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 obtained, completion of internal control processes over revenue recognition and other factors, management has some control in determining the period in which certain revenue is recognized. We had in the past and may have in the future open software license orders which have not shipped or have otherwise not met all the required criteria for revenue recognition. Beginning in the second quarter of 2013, we changed our processes such that the amount of open software license orders received but not shipped at the end of the quarter was reduced to $0 at the end of the second, third, and fourth quarters of fiscal year 2013. We expect this will continue in future periods and we generally do not believe that the amount, if any, of such software license orders at the end of a particular reporting period is a reliable indicator of future performance. In addition, there is no industry standard for the definition of backlog and there may be an element of estimation in determining the amount. As such, direct comparisons with other companies may be difficult or potentially misleading.

**Off-Balance Sheet Arrangements**

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

**Contractual Obligations**

The following table details our contractual obligations as of November 30, 2013 (in thousands):

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
| Operating leases | $ 16,329 | $ 5,595 | $ 6,587 | $ 2,699 | $ 1,448 |
| Purchase obligations (1) | 2,042 | 642 | 1,400 | — | — |
| Unrecognized tax benefits (2) | 1,022 | — | — | — | — |
| Total | $ 19,393 | $ 6,237 | $ 7,987 | $ 2,699 | $ 1,448 |

(1) Represents the fixed or minimum amounts due under purchase obligations for support service agreements.
(2) The liability is not subject to fixed payment terms and the amount and timing of payments, if any, which we will make related to this liability are not known. See Note 15 of the Consolidated Financial Statements appearing in Item 8 of this Annual Report for additional information.

**Critical Accounting Policies**

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

We have identified the following critical accounting policies that require the use of significant judgments and estimates in the preparation of our consolidated financial statements. This listing is not a comprehensive list of all of our accounting policies. For further information regarding the application of these and other accounting policies, see Note 1 of the Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

*Revenue Recognition*

We derive our revenue primarily from software licenses and maintenance and services. Our license arrangements generally contain multiple elements, including software maintenance services, consulting services, and customer education services. We do not recognize revenue until the following four basic criteria are met: (i) persuasive evidence of an arrangement exists, (ii) our product has been shipped or, if delivered electronically, the customer has the right to access the software, (iii) the fee is fixed or determinable, and (iv) collection of the fee is probable.

Evidence of an arrangement generally consists of a contract or purchase order signed by the customer. In regard to delivery, we generally ship our software electronically and 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. Services are considered delivered as the work is performed or, in the case of maintenance, over the contractual service period. We assess whether a fee is fixed or determinable at the outset of the arrangement and consider the payment terms of the transaction, including transactions that extend beyond our customary payment terms. We do not license our software with a right of return. In assessing whether the collection of the fee is probable, we consider customer credit-worthiness, a customer's historical payment experience, economic conditions in the customer's industry and geographic location and general economic conditions. If we do not consider collection of a fee to be probable, we defer the revenue until the fees are collected, provided all other conditions for revenue recognition have been met.

In determining when to recognize revenue from a customer arrangement, we are often required to exercise judgment regarding the application of our accounting policies to a particular arrangement. The primary judgments used in evaluating revenue recognized in each period involve: determining whether collection is probable, assessing whether the fee is fixed or determinable, and determining the fair value of the maintenance and services elements included in multiple-element software arrangements. Such judgments can materially impact the amount of revenue that we record in a given period. While we follow specific and detailed rules and guidelines related to revenue recognition, we make and use significant management judgments and estimates in connection with the revenue recognized in any reporting period, particularly in the areas described above. If management made different estimates or judgments, material differences in the timing of the recognition of revenue could occur.

In regard to software license revenues, perpetual and term license fees are recognized as revenue when the software is delivered, no significant obligations or contingencies related to the software exist, other than maintenance, and all other revenue recognition criteria are met. We generally recognize revenue for products distributed through application partners and distributors on a sell-in basis.

Revenue from maintenance is recognized ratably over the service period. Maintenance revenue is deferred until the associated license is delivered to the customer and all other criteria for revenue recognition have been met. Revenue from other services, which are primarily consulting and customer education services, is generally recognized as the services are delivered to the customer, provided all other criteria for revenue recognition have been met.

We generally sell our software licenses with maintenance services and, in some cases, also with consulting services. For these multiple element arrangements, we allocate revenue to the delivered elements of the arrangement using the residual method, whereby revenue is allocated to the undelivered elements based on vendor specific objective evidence (or VSOE) of fair value of the undelivered elements with the remaining arrangement fee allocated to the delivered elements and recognized as revenue assuming all other revenue recognition criteria are met. For the undelivered elements, we determine 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. Substantially all license arrangements indicate the renewal rate for which customers may, at their option, renew their maintenance agreement. We determine VSOE for consulting services by reference to the amount charged for similar engagements when a software license sale is not involved. We review services sold separately on a periodic basis and update, when appropriate, our VSOE of fair value for such maintenance and services to ensure that it reflects our recent pricing experience. 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 over the maintenance period. 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 completed contract method.

Sales taxes collected from customers and remitted to government authorities are excluded from revenue.

With the introduction of Progress Pacific in fiscal year 2013, we have also begun offering products via a platform-as-a-service (PaaS) model, which is a subscription model. Subscription revenue derived from these agreements is generally recognized on a straight-line basis over the subscription term, provided persuasive evidence of an arrangement exists, access to our software has been granted to the customer, the fee for the subscription is fixed or determinable, and collection of the subscription fee is probable.

Deferred revenue generally results from contractual billings for which revenue has not been recognized and consists of the unearned portion of license, maintenance, and services fees. Deferred revenue expected to be recognized as revenue more than one year subsequent to the balance sheet date is included in long-term liabilities in the consolidated balance sheets.

*Allowances for Doubtful Accounts and Sales Credit Memos*

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. We establish this allowance using estimates that we make based on factors such as the composition of the accounts receivable aging, historical bad debts, changes in payment patterns, changes to customer creditworthiness and current economic trends. Historically, our actual losses have been consistent with the allowances recorded. However, if we used different estimates, or if the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, we would require additional provisions for doubtful accounts that would increase bad debt expense.

We also record an allowance for estimates of potential sales credit memos. This allowance is determined based on an analysis of historical credit memos issued and current economic trends, and is recorded as a reduction of revenue.

*Goodwill and Intangible Asset Impairment*

We have goodwill and net intangible assets of $234.2 million at November 30, 2013. We assess goodwill for impairment on an annual basis as of December 15 of each year and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. We assess our amortizing intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

We would record an impairment charge if such an assessment were to indicate that the fair value of such assets was less than the carrying value. When we evaluate potential impairments outside of our annual measurement date, judgment is required in determining whether an event has occurred that may impair the value of goodwill or intangible assets. Factors that could indicate that an impairment may exist include significant underperformance relative to plan or long-term projections, significant changes in business strategy, significant negative industry or economic trends or a significant decline in our stock price for a sustained period of time. We utilize either discounted cash flow models or other valuation models, such as comparative transactions and market multiples, to determine the fair value of our reporting unit. We must make assumptions about future cash flows, future operating plans, discount rates, comparable companies, market multiples, purchase price premiums and other factors in those models. Different assumptions and judgment determinations could yield different conclusions that would result in an impairment charge to income in the period that such change or determination was made.

The determination of reporting units also requires management judgment. We consider whether a reporting unit exists within a reportable segment based on the availability of discrete financial information that is regularly reviewed by segment management.

Our annual testing for fiscal years 2012 and 2011 indicated that no impairment of goodwill existed. During the second quarter of fiscal year 2012, as a result of continued declines in the performance of certain of our old reporting units and in connection with the announcement of the Plan, we determined an impairment triggering event occurred that required us to perform an interim goodwill impairment test. The test indicated that our old reporting units had an estimated fair value that was in excess of their carrying values. However, the difference between the carrying value and fair value of our old Enterprise Business Solutions reporting unit had decreased since the December 15, 2011 annual test as a result of updates to our internal forecasts and projected cash flows.

During the third quarter of fiscal year 2012, in furtherance of the Plan, we changed the structure of our internal organization and the way we managed our business. As a result, our reportable segment information was restated to reflect the new structure. Our evaluation of reporting units was also reassessed and changed to reflect the new structure and operations. Under our new structure, our reportable segments were also our reporting units for goodwill impairment testing purposes. We did not aggregate any reporting units. During the third quarter of fiscal year 2012, we reassigned goodwill to the new reporting units and reportable segments based on the relative fair values of the reporting units.

In connection with the reassignment of goodwill to our new reporting units, we determined an impairment triggering event occurred that required us to perform an interim goodwill impairment test. We performed the test for both our old and new reporting units to ensure no impairment existed prior to the reassignment of goodwill or resulted after the reassignment of goodwill. The tests indicated that our reporting units under our old and new structures had estimated fair values that were in excess of their carrying values, and thus, no impairment was present. The fair values of our reporting units under our new segment structure were substantially in excess of their carrying values.

We adopted Accounting Standards Update (ASU) No. 2011-08, *Intangibles - Goodwill and Other (Topic 350) - Testing Goodwill for Impairment* (ASU 2011-08) for our fiscal 2013 annual impairment test. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not (“MLTN”) that the fair value of a reporting unit is less than its carrying value. If it is concluded that it is MLTN that the fair value is less than carrying value, then it is necessary to perform the currently prescribed two-step goodwill impairment test. Alternatively, if it is concluded that is it MLTN that the fair value exceeds carrying value, the currently prescribed two-step goodwill impairment test is not required. At the time of our fiscal year 2013 annual test, the only remaining goodwill was that of our one reporting unit. We performed our qualitative assessment, including consideration of macroeconomic conditions, industry and market considerations, and other relevant entity-specific events, and concluded that it was not MLTN that the fair value of our reporting unit was less than its carrying value.

At the time of our filing of this Annual Report on Form 10-K, we have completed our annual goodwill impairment test for fiscal year 2014. We operate as a single operating segment with one reporting unit and consequently evaluate goodwill for impairment based on an evaluation of the fair value of the Company as a whole. We performed our qualitative assessment and concluded that it was not MLTN that the fair value of our reporting unit was less than its carrying value.

*Income Tax Accounting*

We have a net deferred tax asset of $28.7 million at November 30, 2013. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. We consider scheduled reversals of temporary differences, projected future taxable income, ongoing tax planning strategies and other matters in assessing the need for and the amount of a valuation allowance. If we were to change our assumptions or otherwise determine that we were unable to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period that such change or determination was made.

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

*Stock-Based Compensation*

We recognize stock-based compensation based on the fair value of stock-based awards measured at the date of grant. Stock-based compensation is recognized over the requisite service period, which is generally the vesting period of the award, and is adjusted each period for anticipated forfeitures.

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 the expected stock price volatility, the expected term of the option, a risk-free interest rate and a dividend yield. The expected volatility is based on the historical volatility of our stock price. The expected term is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free interest rate is based on the yield of zero-coupon U.S. Treasury securities for the period that is commensurate with the expected option term at the time of grant. The expected dividend yield is based on our historical behavior and future expectations of dividend declarations.

*Investments in Debt Securities*

We have approximately $26.3 million at fair value (par value of $30.7 million) in investments related to ARS, of which $24.8 million are classified as noncurrent and $1.5 million are classified as current at November 30, 2013. For each of our ARS for which the issuer is not in default, we evaluate the risks related to the structure, collateral and liquidity of the investment, and forecast the probability of issuer default, auction failure and a successful auction at par, or a redemption at par, for each future auction period. Based on the results of this assessment, we record either a mark-to-market adjustment in accumulated other comprehensive income or an other-than-temporary impairment charge in other income in our consolidated statements of income. If we use different assumptions or the credit rating of either the security issuer or the third-party insurer underlying the investments deteriorates, we may be required to adjust the carrying value of our available-for-sale ARS through an other-than-temporary impairment charge in current period earnings.

*Restructuring Charges*

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

*Business Combinations*

We allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The estimates used to value the net assets acquired are based in part on historical experience and information obtained from the management of the acquired company. We generally value the identifiable intangible assets acquired using a discounted cash flow model. The significant estimates used in valuing certain of the intangible assets include, but are not limited to: future expected cash flows of the asset, discount rates to determine the present value of the future cash flows, attrition rates of customers, and expected technology life cycles. We also estimate the useful lives of the intangible assets based on the expected period over which we anticipate generating economic benefit from the asset.

Our estimates of fair value are based on assumptions believed to be reasonable at that time. If management made different estimates or judgments, material differences in the fair values of the net assets acquired may result.

**Recent Accounting Pronouncements**

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). ASU 2013-11 clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. This new guidance is effective on a prospective basis for fiscal years and interim reporting periods within those years, beginning after December 15, 2013. The adoption of ASU 2013-11 is not expected to have a material impact on our financial position, results of operations or cash flows.

In March 2013, the FASB issued Accounting Standards Update No. 2013-05, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (ASU 2013-05). ASU 2013-05 provides guidance on releasing cumulative translation adjustments when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or a business within a foreign entity. ASU 2013-05 is effective on a prospective basis for fiscal years and interim reporting periods within those years, beginning after December 15, 2013. Early adoption is permitted. The adoption of ASU 2013-05 is not expected to have a material impact on our financial position, results of operations or cash flows.

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220) – Reporting of Amounts Reclassified out of Accumulative Other Comprehensive Income* (ASU 2013-02), which replaces the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2011-05 and ASU 2011-12. ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component and to present significant amounts reclassified out of accumulated other comprehensive income by respective line items of net income if the amount reclassified is required to be reclassified to net income in its entirety. We adopted ASU 2013-02 in the second quarter of fiscal year 2013 and applied it prospectively. The adoption of ASU 2013-02 did not have any impact on our financial position, results of operations or cash flows.

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-08, *Intangibles – Goodwill and Other (Topic 350) – Testing Goodwill for Impairment* (ASU 2011-08), to allow entities to use a qualitative approach to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If after performing the qualitative assessment an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step goodwill impairment test. ASU 2011-08 is effective for us in fiscal year 2013. We adopted ASU 2011-08 during the first quarter of fiscal year 2013 for our annual impairment test, which occurs in the first quarter of our fiscal year. The adoption did not have any impact on our financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220) – Presentation of Comprehensive Income* (ASU 2011-05), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. In December 2011, the FASB issued ASU No. 2011-12, *Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05* (ASU 2011-12), which defers the effective date of only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments. We adopted ASU 2011-05 in our first quarter of fiscal year 2013, and applied it retrospectively. We elected to report comprehensive income as a separate, but consecutive statement to net income. The adoption of ASU 2011-05 did not have any impact on our financial position, results of operations or cash flows.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

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

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

We 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 do not enter into derivative instruments for speculative purposes. 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 consolidated balance sheets at the end of each reporting period and expire within 90 days. In fiscal year 2013, realized and unrealized gains of $1.1 million from our forward contracts were recognized in other income in the consolidated statement of income. These gains were substantially offset by realized and unrealized losses on the offsetting positions.

In the past, we used foreign currency option contracts that were not designated as hedging instruments to hedge economically a portion of forecasted international cash flows for up to one year in the future. Principal currencies hedged included the euro, British pound, Brazilian real, Japanese yen and Australian dollar. During fiscal years 2013 and 2012, we did not hold any foreign currency option contracts.

Foreign currency translation exposure from a 10% movement of currency exchange rates would have a material impact on our reported revenue and net income. Based on a hypothetical 10% adverse movement in all foreign currency exchange rates, our revenue would be adversely affected by approximately 5% and our net income would be adversely affected by approximately 7% (excluding any offsetting positive impact from our ongoing hedging programs), although the actual effects may differ materially from the hypothetical analysis.

The table below details outstanding foreign currency forward contracts at November 30, 2013 and 2012 where the notional amount is determined using contract exchange rates (in thousands):

| | November 30, 2013 | | November 30, 2012 | |
|---|---|---|---|---|
| | Notional Value | Fair Value | Notional Value | Fair Value |
| Forward contracts to sell U.S. dollars | $ 26,016 | $ 79 | $ 6,453 | $ 4 |
| Forward contracts to purchase U.S. dollars | 22,483 | 92 | 31,465 | (190) |
| Total | $ 48,499 | $ 171 | $ 37,918 | $ (186) |

**Item 8. Financial Statements and Supplementary Data**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying consolidated balance sheets of Progress Software Corporation and subsidiaries (the "Company") as of November 30, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended November 30, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Progress Software Corporation and subsidiaries as of November 30, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the financial statements, the Company has divested certain product lines. The gains on sales and operating results prior to divestitures are included in income (loss) from discontinued operations, net in the accompanying financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of November 30, 2013, based on the criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 29, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts
January 29, 2014

**Consolidated Financial Statements**

**Consolidated Balance Sheets**

| *(In thousands, except share data)* | November 30, 2013 | November 30, 2012 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 198,818 | $ 301,792 |
| Short-term investments | 32,622 | 53,425 |
| Total cash, cash equivalents and short-term investments | 231,440 | 355,217 |
| Accounts receivable (less allowances of $3,153 in 2013 and $3,024 in 2012) | 66,784 | 70,793 |
| Other current assets | 30,716 | 16,478 |
| Deferred tax assets | 8,871 | 16,301 |
| Assets held for sale | — | 68,029 |
| Total current assets | 337,811 | 526,818 |
| Property and equipment, net | 57,030 | 63,071 |
| Intangible assets, net | 9,950 | 5,119 |
| Goodwill | 224,286 | 226,110 |
| Deferred tax assets | 20,386 | 26,565 |
| Investments in auction rate securities | 24,761 | 26,321 |
| Other assets | 7,963 | 10,973 |
| Total assets | $ 682,187 | $ 884,977 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Accounts payable | 9,560 | 10,477 |
| Accrued compensation and related taxes | 26,697 | 39,105 |
| Income taxes payable | 2,584 | 21,486 |
| Other accrued liabilities | 29,345 | 39,876 |
| Short-term deferred revenue | 96,393 | 103,925 |
| Liabilities held for sale | — | 25,285 |
| Total current liabilities | 164,579 | 240,154 |
| Long-term deferred revenue | 1,144 | 2,817 |
| Deferred tax liabilities | 340 | 1,032 |
| Other noncurrent liabilities | 2,470 | 2,575 |
| Commitments and contingencies (Note 10) | | |
| Shareholders' equity: | | |
| Preferred stock, $.01 par value; authorized, 1,000,000 shares; issued, none | — | — |
| Common stock, $.01 par value; authorized, 200,000,000 shares; issued and outstanding, 51,512,595 in 2013 and 59,594,961 in 2012 | 515 | 596 |
| Additional paid-in capital | 204,792 | 299,737 |
| Retained earnings | 320,006 | 348,830 |
| Accumulated other comprehensive loss | (11,659) | (10,764) |
| Total shareholders' equity | 513,654 | 638,399 |
| Total liabilities and shareholders' equity | $ 682,187 | $ 884,977 |

See notes to consolidated financial statements.

**Consolidated Statements of Income**

| *(In thousands, except per share data)* | Fiscal Year Ended November 30, 2013 | November 30, 2012 | November 30, 2011 |
|---|---|---|---|
| Revenue: | | | |
| Software licenses | $ 122,312 | $ 106,626 | $ 109,966 |
| Maintenance and services | 211,684 | 210,986 | 223,644 |
| Total revenue | 333,996 | 317,612 | 333,610 |
| Costs of revenue: | | | |
| Cost of software licenses | 6,889 | 5,776 | 4,640 |
| Cost of maintenance and services | 26,753 | 29,878 | 30,143 |
| Amortization of acquired intangibles | 1,340 | 660 | 1,994 |
| Total costs of revenue | 34,982 | 36,314 | 36,777 |
| Gross profit | 299,014 | 281,298 | 296,833 |
| Operating expenses: | | | |
| Sales and marketing | 105,997 | 98,838 | 83,815 |
| Product development | 57,336 | 44,443 | 38,183 |
| General and administrative | 55,994 | 61,989 | 61,772 |
| Amortization of acquired intangibles | 760 | 820 | 513 |
| Restructuring expenses | 11,983 | 7,204 | 3,302 |
| Acquisition-related expenses | 3,204 | 215 | 536 |
| Total operating expenses | 235,274 | 213,509 | 188,121 |
| Income from operations | 63,740 | 67,789 | 108,712 |
| Other income (expense): | | | |
| Interest income and other | 1,201 | 2,574 | 1,999 |
| Foreign currency (loss) gain | (2,158) | (2,378) | (2,518) |
| Total other income (expense), net | (957) | 196 | (519) |
| Income from continuing operations before income taxes | 62,783 | 67,985 | 108,193 |
| Provision for income taxes | 23,006 | 23,031 | 36,804 |
| Income from continuing operations | 39,777 | 44,954 | 71,389 |
| Income (loss) from discontinued operations, net | 35,130 | 2,490 | (11,760) |
| Net income | $ 74,907 | $ 47,444 | $ 59,629 |
| Earnings per share: | | | |
| Basic: | | | |
| Continuing operations | $ 0.73 | $ 0.71 | $ 1.09 |
| Discontinued operations | 0.64 | 0.04 | (0.18) |
| Net income per share | $ 1.37 | $ 0.75 | $ 0.91 |
| Diluted: | | | |
| Continuing operations | $ 0.72 | $ 0.71 | $ 1.06 |
| Discontinued operations | 0.63 | 0.04 | (0.17) |
| Net income per share | $ 1.35 | $ 0.74 | $ 0.88 |
| Weighted average shares outstanding: | | | |
| Basic | 54,516 | 62,881 | 65,705 |
| Diluted | 55,379 | 63,741 | 67,540 |

See notes to consolidated financial statements.

**Consolidated Statements of Comprehensive Income**

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Net Income | $ 74,907 | $ 47,444 | $ 59,629 |
| Other comprehensive (loss) income, net of tax: | | | |
| Foreign currency translation adjustments | (1,066) | (638) | (4,268) |
| Unrealized gain on investments, net of tax provision of $99 in 2013, $527 in 2012 and $76 in 2011 | 171 | 1,527 | 354 |
| Total other comprehensive (loss) income, net of tax | (895) | 889 | (3,914) |
| Comprehensive income | $ 74,012 | $ 48,333 | $ 55,715 |

See notes to consolidated financial statements.

**Consolidated Statements of Shareholders' Equity**

| *(in thousands)* | Common Stock Number of Shares | Common Stock Amount | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| Balance, December 1, 2010 | 66,528 | $ 665 | $ 346,938 | $ 350,409 | $ (7,739) | $ 690,273 |
| Issuance of stock under employee stock purchase plan | 594 | 6 | 6,838 | — | — | 6,844 |
| Exercise of stock options | 2,755 | 28 | 42,800 | — | — | 42,828 |
| Issuance of shares to Board of Directors | 31 | — | — | — | — | — |
| Vesting of restricted stock units | 386 | 4 | — | — | — | 4 |
| Withholding tax payments related to net issuance of restricted stock units | (114) | (1) | (2,705) | — | — | (2,706) |
| Tax benefit arising from employee stock purchase plan, stock options and restricted share activity | — | — | 6,162 | — | — | 6,162 |
| Stock-based compensation | — | — | 25,999 | — | — | 25,999 |
| Treasury stock repurchases and retirements | (8,391) | (84) | (117,429) | (82,496) | — | (200,009) |
| Net income | — | — | — | 59,629 | — | 59,629 |
| Other comprehensive losses | — | — | — | — | (3,914) | (3,914) |
| Balance, November 30, 2011 | 61,789 | 618 | 308,603 | 327,542 | (11,653) | 625,110 |
| Issuance of stock under employee stock purchase plan | 376 | 4 | 5,650 | — | — | 5,654 |
| Exercise of stock options | 1,488 | 15 | 23,420 | — | — | 23,435 |
| Issuance of shares to Board of Directors | — | — | — | — | — | — |
| Vesting of restricted stock units | 625 | 6 | — | — | — | 6 |
| Withholding tax payments related to net issuance of restricted stock units | (189) | (2) | (4,153) | — | — | (4,155) |
| Tax benefit arising from employee stock purchase plan, stock options and restricted share activity | — | — | 167 | — | — | 167 |
| Stock-based compensation | — | | 28,233 | — | — | 28,233 |
| Treasury stock repurchases and retirements | (4,494) | (45) | (62,183) | (26,156) | — | (88,384) |
| Net income | — | — | — | 47,444 | — | 47,444 |
| Other comprehensive income | — | — | — | — | 889 | 889 |
| Balance, November 30, 2012 | 59,595 | 596 | 299,737 | 348,830 | (10,764) | 638,399 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Issuance of stock under employee stock purchase plan | 281 | 3 | 4,295 | — | — | 4,298 |
| Exercise of stock options | 2,722 | 27 | 50,439 | — | — | 50,466 |
| Vesting of restricted stock units | 697 | 7 | — | — | — | 7 |
| Withholding tax payments related to net issuance of restricted stock units | (203) | (2) | (4,936) | — | — | (4,938) |
| Tax benefit arising from employee stock purchase plan, stock options and restricted share activity | — | — | (520) | — | — | (520) |
| Stock-based compensation | — | — | 21,399 | — | — | 21,399 |
| Treasury stock repurchases and retirements | (11,579) | (116) | (165,622) | (103,731) | — | (269,469) |
| Net income | — | — | — | 74,907 | — | 74,907 |
| Other comprehensive losses | — | — | — | — | (895) | (895) |
| Balance, November 30, 2013 | 51,513 | $ 515 | $ 204,792 | $ 320,006 | $ (11,659) | $ 513,654 |

See notes to consolidated financial statements.

**Consolidated Statements of Cash Flows**

| *(In thousands)* | Fiscal Year Ended November 30, 2013 | Fiscal Year Ended November 30, 2012 | Fiscal Year Ended November 30, 2011 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ 74,907 | $ 47,444 | $ 59,629 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization of property and equipment | 10,345 | 9,305 | 8,832 |
| Amortization of acquired intangibles and other | 4,090 | 21,660 | 26,246 |
| Stock-based compensation | 21,399 | 28,233 | 25,999 |
| Gain on sale of dispositions | (71,601) | (45,105) | — |
| Impairment loss on assets held for sale | — | 8,601 | — |
| Loss on sale of auction rate security | 380 | 270 | — |
| Loss on disposal of property and equipment | 448 | — | 114 |
| Asset impairment | 111 | 898 | — |
| Deferred income taxes | 9,745 | (22) | 2,468 |
| Tax benefit from stock plans | (484) | 171 | 6,165 |
| Excess tax benefits from stock plans | (1,642) | (1,590) | (6,238) |
| Allowances for bad debt and sales credits | 874 | 1,140 | 1,963 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | 5,672 | 14,373 | 8,053 |
| Other assets | (9,035) | 1,547 | 2,709 |
| Accounts payable and accrued liabilities | (15,152) | 7,484 | (24,679) |
| Income taxes payable and uncertain tax positions | (20,294) | 17,617 | 9,640 |
| Deferred revenue | (5,183) | (7,911) | 5,393 |
| Net cash flows from operating activities | 4,580 | 104,115 | 126,294 |
| Cash flows from investing activities: | | | |
| Purchases of investments | (7,745) | (27,924) | (152,658) |
| Sales and maturities of investments | 28,753 | 74,065 | 84,441 |
| Redemptions and sales of auction rate securities - available-for-sale | 25 | 8,955 | 6,300 |
| Purchases of property and equipment | (4,226) | (7,735) | (17,047) |
| Capitalized software development costs | (836) | — | — |
| Payments for acquisitions, net of cash acquired | (9,450) | — | (22,900) |
| Proceeds from divestitures, net | 111,120 | 46,590 | — |
| Decrease (increase) in other noncurrent assets | 1,121 | 189 | (433) |
| Net cash flows from investing activities | 118,762 | 94,140 | (102,297) |
| Cash flows from financing activities: | | | |
| Proceeds from stock-based compensation plans | 54,430 | 29,208 | 49,672 |
| Purchase of common stock related to withholding taxes from issuance of restricted stock units | (4,936) | (4,153) | (2,706) |
| Repurchase of common stock | (276,537) | (81,316) | (200,009) |
| Excess tax benefit from stock plans | 1,642 | 1,590 | 6,238 |
| Payment of long-term debt | — | (357) | (388) |
| Payment of issuance costs for line of credit | — | — | (795) |
| Net cash flows from financing activities | (225,401) | (55,028) | (147,988) |
| Effect of exchange rate changes on cash | (915) | (2,530) | (1,473) |
| Net (decrease) increase in cash and equivalents | (102,974) | 140,697 | (125,464) |
| Cash and equivalents, beginning of year | 301,792 | 161,095 | 286,559 |
| Cash and equivalents, end of year | $ 198,818 | $ 301,792 | $ 161,095 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Supplemental disclosure: | | | | | | |
| Cash paid for income taxes, net of refunds of $4,453 in 2013, $1,987 in 2012 and $9,183 in 2011 | $ | 69,939 | $ | 15,337 | $ | 9,545 |
| Non-cash financing activity: | | | | | | |
| Total fair value of restricted stock awards, restricted stock units and deferred stock units on date vested | $ | 16,758 | $ | 13,886 | $ | 9,160 |
| Unsettled repurchases of common stock | $ | — | $ | 7,068 | $ | — |

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

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

**The Company**

We are a global software company that simplifies the development, deployment and management of business applications on-premise or in the cloud, on any platform or device, to any data source, with enhanced performance, minimal IT complexity and low total cost of ownership. Our products are generally sold as perpetual licenses, but certain products and business activities also use term licensing models and our new Progress Pacific platform offering uses a subscription based model. We also provide product maintenance, consulting, training, and customer support services.

During the fourth quarter of fiscal year 2012 and the first quarter of fiscal year 2013, we completed the divestitures of the ten product lines which were not considered core product lines of our business: Actional, Artix, DataXtend, FuseSource, ObjectStore, Orbacus, Orbix, Savvion, Shadow and Sonic. The divestitures were part of the new strategic plan (the "Plan") we announced during fiscal year 2012. After the announcement of the Plan, we began reporting our results in two reportable segments: Core and non-Core. Since the non-Core segment ceased to exist during the first quarter of fiscal year 2013, after the closing of all these divestitures, we now operate as one reportable segment.

In June 2013, we entered into a definitive purchase and sale agreement to divest our Apama product line to Software AG. The target market, deployment and sales model for the Apama product line differed significantly from those of our core strategy and the divestiture allowed us to focus entirely on providing leading cloud and mobile application development and integration technologies through a single cohesive platform. The sale closed in July 2013 for a purchase price of $44.3 million.

The revenues and direct expenses of the product lines divested are included in discontinued operations in our condensed consolidated statements of income, including prior period amounts which have been revised to reflect the presentation.

**Accounting Principles**

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

**Basis of Consolidation**

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

**Use of Estimates**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, management evaluates its estimates and records changes in estimates in the period in which they become known. These estimates are based on historical data and experience, as well as various other assumptions that management believes to be reasonable under the circumstances. The most significant estimates relate to the timing and amounts of revenue recognition, the realization of tax assets and estimates of tax liabilities, fair values of investments in marketable and auction rate securities, intangible assets and goodwill valuations, the recognition and disclosure of contingent liabilities, the collectability of accounts receivable, and assumptions used to determine the fair value of stock-based compensation. Actual results could differ from those estimates.

**Foreign Currency Translation**

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

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

Transaction gains or losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in foreign currency (loss) gain in the statements of income as incurred.

**Cash Equivalents and Investments**

Cash equivalents include short-term, highly liquid investments purchased with remaining maturities of three months or less. As of November 30, 2013, all of our cash equivalents were invested in money market funds.

We classify investments, which consist of auction rate securities (ARS), state and municipal bond obligations, and corporate bonds and notes, as investments available-for-sale, which are stated at fair value. We include aggregate unrealized holding gains and losses, net of taxes, on available-for-sale securities as a component of accumulated other comprehensive loss in shareholders' equity. We include realized and unrealized gains and losses on trading securities in other (expense) income on the consolidated statements of income.

We monitor our investment portfolio for impairment on a periodic basis. In the event that the carrying value of an investment exceeds its fair value and the decline in value is determined to be other than temporary, an impairment charge is recorded and a new cost basis for the investment is established. In determining whether an other-than-temporary impairment exists, we consider the nature of the investment, the length of time and the extent to which the fair value has been less than cost, and our intent and ability to continue holding the security for a period sufficient for an expected recovery in fair value.

**Allowances for Doubtful Accounts and Sales Credit Memos**

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

We also record an allowance for estimates of potential sales credit memos. This allowance is determined based on an analysis of historical credit memos issued and current economic trends, and is recorded as a reduction of revenue.

A summary of activity in the allowance for doubtful accounts is as follows (in thousands):

| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
|---|---|---|---|
| Beginning balance | $ 2,278 | $ 5,495 | $ 3,769 |
| Charge to costs and expenses | 649 | 1,031 | 1,963 |
| Write-offs and other | (688) | (4,543) | (94) |
| Translation adjustments | 11 | 295 | (143) |
| Ending balance | $ 2,250 | $ 2,278 | $ 5,495 |

A summary of activity in the allowance for sales credit memos is as follows (in thousands):

| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
|---|---|---|---|
| Beginning balance | $ 746 | $ 1,188 | $ 1,211 |
| Charge to revenue | 225 | 109 | — |
| Write-offs and other | (71) | (551) | (23) |
| Translation adjustments | 3 | — | — |
| Ending balance | $ 903 | $ 746 | $ 1,188 |

**Concentrations of Credit Risk**

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments, derivative instruments and trade receivables. We have cash investment policies which, among other things, limit investments to investment-grade securities. We hold our cash and cash equivalents, investments and derivative instrument contracts with high quality financial institutions and we monitor the credit ratings of those institutions. We perform ongoing credit evaluations of our customers, and the risk with respect to trade receivables is further mitigated by the diversity, both by geography and by industry, of the customer base. No single customer represented more than 10% of consolidated accounts receivable or revenue in fiscal years 2013, 2012 or 2011.

**Fair Value of Financial Instruments**

The carrying amount of our cash and cash equivalents, accounts receivable and accounts payable approximates fair value due to the short-term nature of these items. We base the fair value of short-term investments on quoted market prices or other relevant information generated by market transactions involving identical or comparable assets. The fair value of ARS is based on a valuation methodology utilizing discounted cash flow models due to the absence of quoted market prices. We measure and record derivative financial instruments at fair value. We elect fair value measurement for certain financial assets on a case-by-case basis. See Note 4 for further discussion of financial instruments that are carried at fair value on a recurring and nonrecurring basis.

**Derivative Instruments**

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

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

**Property and Equipment**

We record property and equipment at cost. We record property and equipment purchased in business combinations at fair values which are then treated as the cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the useful lives of the assets. Useful lives by major asset class are as follows: computer equipment and software, 3 to 7 years; buildings and improvements, 5 to 39 years; and furniture and fixtures, 5 to 7 years. Repairs and maintenance costs are expensed as incurred.

**Product Development and Internal Use Software**

Expenditures for product development, other than internal use software costs, are expensed as incurred. Product development expenses primarily consist of personnel and related expenses for our product development staff, the cost of various third-party contractor fees, and allocated overhead expenses.

Software development costs associated with internal use software are incurred in three stages of development: the preliminary project stage, the application development stage, and the post-implementation stage. Costs incurred during the preliminary project and post-implementation stages are expensed as incurred. Certain internal and external qualifying costs incurred during the application development stage are capitalized as property and equipment. Internal use software is amortized on a straight-line basis over its estimated useful life of three years, beginning when the software is ready for its intended use.

During the year ended November 30, 2013, $0.8 million of internal use software development costs were capitalized. During the years ended November 30, 2012 and 2011, there were no internal software development costs capitalized. Amortization expense related to internal use software totaled $0 during the years ended November 30, 2013, 2012, and 2011.

**Goodwill, Intangible Assets and Long-Lived Assets**

Goodwill is the amount by which the cost of acquired net assets in a business combination exceeded the fair value of net identifiable assets on the date of purchase. We evaluate goodwill and other intangible assets with indefinite useful lives, if any, for impairment annually on December 15 or on an interim basis when events and circumstances arise that indicate impairment may have occurred. We first perform a qualitative test and if necessary, perform a quantitative test. To conduct these quantitative impairment tests of goodwill, we compare the fair value of a reporting unit to its carrying value. If the reporting unit's carrying value exceeds its fair value, we record an impairment loss to the extent that the carrying value of goodwill exceeds its implied fair value. We estimate the fair values of our reporting units using discounted cash flow models or other valuation models, such as comparative transactions and market multiples.

We periodically review long-lived assets (primarily property and equipment) and intangible assets with finite lives (purchased technology, capitalized software and customer-related intangibles, which we amortize using the pattern in which the economic benefit will be realized or using the straight-line method if a pattern cannot be reliably determined) for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. We base each impairment test on a comparison of the undiscounted cash flows to the carrying value of the asset. If impairment is indicated, we write down the asset to its estimated fair value based on a discounted cash flow analysis. We recorded no impairment losses in fiscal year 2011. In fiscal year 2012 we recorded an impairment loss of $0.9 million related to assets no longer deployed as part of cost reduction strategies associated with our restructuring action. In fiscal year 2013, we recorded an additional $0.1 million impairment loss related to these assets.

**Comprehensive Loss**

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

Accumulated other comprehensive loss is comprised of the following components (in thousands):

| | Foreign Currency Translation Adjustment | Unrealized Gains (Losses) on investments | Accumulated Other Comprehensive Loss |
|---|---|---|---|
| Balance, December 1, 2011 | $ (7,545) | $ (4,108) | $ (11,653) |
| Other comprehensive income (loss) before reclassifications, net of tax | (638) | 1,257 | 619 |
| Amounts reclassified from accumulated other comprehensive income (loss) to realized losses included in earnings | — | 270 | 270 |
| Balance, December 1, 2012 | $ (8,183) | $ (2,581) | $ (10,764) |
| Other comprehensive income (loss) before reclassifications, net of tax | (1,066) | (209) | (1,275) |
| Amounts reclassified from accumulated other comprehensive income (loss) to realized losses included in earnings | — | 380 | 380 |
| Balance, November 30, 2013 | $ (9,249) | $ (2,410) | $ (11,659) |

The amounts reclassified from accumulated other comprehensive income (loss) for fiscal years 2013 and 2012 relate to realized losses on available-for-sale ARS, which are recorded in other income (expense) in the consolidated statements of income. The tax effect on accumulated unrealized losses on investments was $1.4 million, $1.5 million and $2.0 million at November 30, 2013, 2012 and 2011, respectively.

**Revenue Recognition**

We derive our revenue primarily from software licenses and maintenance and services. Our license arrangements generally contain multiple elements, including software maintenance services, consulting services, and customer education services. We do not recognize revenue until the following four basic criteria are met: (i) persuasive evidence of an arrangement exists, (ii) our product has been shipped or, if delivered electronically, the customer has the right to access the software, (iii) the fee is fixed or determinable, and (iv) collection of the fee is probable.

Evidence of an arrangement generally consists of a contract or purchase order signed by the customer. In regard to delivery, we generally ship our software electronically and 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. Services are considered delivered as the work is performed or, in the case of maintenance, over the contractual service period. We assess whether a fee is fixed or determinable at the outset of the arrangement and consider the payment terms of the transaction, including transactions that extend beyond our customary payment terms. We do not license our software with a right of return. In assessing whether the collection of the fee is probable, we consider customer credit-worthiness, a customer's historical payment experience, economic conditions in the customer's industry and geographic location and general economic conditions. If we do not consider collection of a fee to be probable, we defer the revenue until the fees are collected, provided all other conditions for revenue recognition have been met.

In determining when to recognize revenue from a customer arrangement, we are often required to exercise judgment regarding the application of our accounting policies to a particular arrangement. The primary judgments used in evaluating revenue recognized in each period involve: determining whether collection is probable, assessing whether the fee is fixed or determinable, and determining the fair value of the maintenance and services elements included in multiple-element software arrangements. Such judgments can materially impact the amount of revenue that we record in a given period. While we follow specific and detailed rules and guidelines related to revenue recognition, we make and use significant management judgments and estimates in connection with the revenue recognized in any reporting period, particularly in the areas described above. If management made different estimates or judgments, material differences in the timing of the recognition of revenue could occur.

In regard to software license revenues, perpetual and term license fees are recognized as revenue when the software is delivered, no significant obligations or contingencies related to the software exist, other than maintenance, and all other revenue recognition criteria are met. We generally recognize revenue for products distributed through application partners and distributors on a sell-in basis.

Revenue from maintenance is recognized ratably over the service period. Maintenance revenue is deferred until the associated license is delivered to the customer and all other criteria for revenue recognition have been met. Revenue from other services, which are primarily consulting and customer education services, is generally recognized as the services are delivered to the customer, provided all other criteria for revenue recognition have been met.

We generally sell our software licenses with maintenance services and, in some cases, also with consulting services. For these multiple element arrangements, we allocate revenue to the delivered elements of the arrangement using the residual method, whereby revenue is allocated to the undelivered elements based on vendor specific objective evidence (or VSOE) of fair value of the undelivered elements with the remaining arrangement fee allocated to the delivered elements and recognized as revenue assuming all other revenue recognition criteria are met. For the undelivered elements, we determine 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. Substantially all license arrangements indicate the renewal rate for which customers may, at their option, renew their maintenance agreement. We determine VSOE for consulting services by reference to the amount charged for similar engagements when a software license sale is not involved. We review services sold separately on a periodic basis and update, when appropriate, our VSOE of fair value for such maintenance and services to ensure that it reflects our recent pricing experience. 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 over the maintenance period. 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 completed contract method.

Sales taxes collected from customers and remitted to government authorities are excluded from revenue.

With the introduction of Progress Pacific in fiscal year 2013, we have also begun offering products via a platform-as-a-service (PaaS) model, which is a subscription based model. Subscription revenue derived from these agreements is generally recognized on a straight-line basis over the subscription term, provided persuasive evidence of an arrangement exists, access to our software has been granted to the customer, the fee for the subscription is fixed or determinable, and collection of the subscription fee is probable.

Deferred revenue generally results from contractual billings for which revenue has not been recognized and consists of the unearned portion of license, maintenance, and services fees. Deferred revenue expected to be recognized as revenue more than one year subsequent to the balance sheet date is included in long-term liabilities in the consolidated balance sheets.

**Advertising Costs**

Advertising costs are expensed as incurred and were $1.6 million, $1.5 million and $2.9 million in fiscal years 2013, 2012 and 2011, respectively.

**Warranty Costs**

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

**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 of the stock 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 4 or 5 years for options, and 3 years for restricted stock units and restricted stock awards.

**Acquisition-Related Costs**

Acquisition-related costs are expensed as incurred and include those costs incurred as a result of a business combination. These costs consist of professional service fees, including third-party legal and valuation-related fees, as well as retention fees, including earn-out payments treated as compensation expense. We incurred $3.2 million of acquisition-related costs, which are included in acquisition-related expenses in our consolidated statement of operations for the fiscal year ended November 30, 2013.

**Restructuring Charges**

Our restructuring charges are comprised primarily of costs related to property abandonment, including future lease commitments, net of any sublease income, and associated leasehold improvements; and employee termination costs related to headcount reductions. We recognize and measure restructuring liabilities initially at fair value when the liability is incurred.

**Income Taxes**

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

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

**Recent Accounting Pronouncements**

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). ASU 2013-11 clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. This new guidance is effective on a prospective basis for fiscal years and interim reporting periods within those years, beginning after December 15, 2013. The adoption of ASU 2013-11 is not expected to have a material impact on our financial position, results of operations or cash flows.

In March 2013, the FASB issued Accounting Standards Update No. 2013-05, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (ASU 2013-05). ASU 2013-05 provides guidance on releasing cumulative translation adjustments when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or a business within a foreign entity. ASU 2013-05 is effective on a prospective basis for fiscal years and interim reporting periods within those years, beginning after December 15, 2013. Early adoption is permitted. The adoption of ASU 2013-05 is not expected to have a material impact on our financial position, results of operations or cash flows.

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220) – Reporting of Amounts Reclassified out of Accumulative Other Comprehensive Income* (ASU 2013-02), which replaces the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2011-05 and ASU 2011-12. ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component and to present significant amounts reclassified out of accumulated other comprehensive income by respective line items of net income if the amount reclassified is required to be reclassified to net income in its entirety. We adopted ASU 2013-02 in the second quarter of fiscal year 2013 and applied it prospectively. The adoption of ASU 2013-02 did not have any impact on our financial position, results of operations or cash flows.

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-08, *Intangibles – Goodwill and Other (Topic 350) – Testing Goodwill for Impairment* (ASU 2011-08), to allow entities to use a qualitative approach to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If after performing the qualitative assessment an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step goodwill impairment test. ASU 2011-08 is effective for us in fiscal year 2013. We adopted ASU 2011-08 during the first quarter of fiscal year 2013 for our annual impairment test, which occurs in the first quarter of our fiscal year. The adoption did not have any impact on our financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220) – Presentation of Comprehensive Income* (ASU 2011-05), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. In December 2011, the FASB issued ASU No. 2011-12, *Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05* (ASU 2011-12), which defers the effective date of only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments. We adopted ASU 2011-05 in our first quarter of fiscal year 2013, and applied it retrospectively. We elected to report comprehensive income as a separate, but consecutive statement to net income. The adoption of ASU 2011-05 did not have any impact on our financial position, results of operations or cash flows.

**Note 2: Cash, Cash Equivalents and Investments**

A summary of our cash, cash equivalents and available-for-sale investments at November 30, 2013 is as follows (in thousands):

| | Amortized Cost Basis | Realized Losses | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|---|
| Cash | $ 144,305 | — | $ — | $ — | $ 144,305 |
| Money market funds | 54,513 | — | — | — | 54,513 |
| State and municipal bond obligations | 30,938 | — | 164 | — | 31,102 |
| Auction rate securities – municipal bonds | 27,150 | (380) | — | (3,317) | 23,453 |
| Auction rate securities – student loans | 3,500 | — | — | (672) | 2,828 |
| Total | $ 260,406 | $ (380) | $ 164 | $ (3,989) | $ 256,201 |

A summary of our cash, cash equivalents and trading and available-for-sale investments at November 30, 2012 is as follows (in thousands):

| | Amortized Cost Basis | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Cash | $ 176,201 | $ — | $ — | $ 176,201 |
| Money market funds | 125,591 | — | — | 125,591 |
| State and municipal bond obligations | 50,565 | 255 | (2) | 50,818 |
| Auction rate securities – municipal bonds | 27,175 | — | (3,755) | 23,420 |
| Auction rate securities – student loans | 3,500 | — | (599) | 2,901 |
| Corporate bonds | 2,608 | — | (1) | 2,607 |
| Total | $ 385,640 | $ 255 | $ (4,357) | $ 381,538 |

Such amounts are classified on our consolidated balance sheets as follows (in thousands):

| | November 30, 2013 | | | November 30, 2012 | | |
|---|---|---|---|---|---|---|
| | Cash and Cash Equivalents | Short-Term Investments | Long-Term Investments | Cash and Cash Equivalents | Short-Term Investments | Long-Term Investments |
| Cash | $ 144,305 | $ — | $ — | $ 176,201 | $ — | $ — |
| Money market funds | 54,513 | — | — | 125,591 | — | — |
| State and municipal bond obligations | — | 31,102 | — | — | 50,818 | — |
| Auction rate securities – municipal bonds | — | 1,520 | 21,933 | — | — | 23,420 |
| Auction rate securities – student loans | — | — | 2,828 | — | — | 2,901 |
| Corporate bonds | — | — | — | — | 2,607 | — |
| Total | $ 198,818 | $ 32,622 | $ 24,761 | $ 301,792 | $ 53,425 | $ 26,321 |

During the fourth quarter of fiscal year 2013, the exit bankruptcy plan for an issuer of one of our ARS, which was in default and on whose behalf the underlying bond insurer was making interest payments, was approved by a federal bankruptcy judge in federal court. The exit bankruptcy plan included a settlement provision with the holders of the ARS, which were given the option to receive 80% of the par value of their holdings, but renounce their claim with the bond issuer, or receive 65% of the par value of their holdings and retain their insurance rights. We accepted the 80% settlement offer and as a result we adjusted the fair value of this ARS to the amount of the settlement as of November 30, 2013. The previously recorded unrealized loss associated with this ARS has been recorded as a realized loss in fiscal year 2013 due to the settlement, which we received in December 2013. The realized loss of $0.4 million is recorded in other income (expense) on the statement of operations for the fiscal year ended November 30, 2013. As this investment no longer lacks short-term liquidity, it is classified as a short-term investment on our consolidated balance sheet at November 30, 2013.

For each of our ARS for which the issuer is not in default, 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 these ARS investments is $24.8 million and $26.3 million at November 30, 2013 and 2012, respectively. The temporary impairment recorded in accumulated other comprehensive loss to reduce the value of these available-for-sale ARS investments was $4.0 million and $4.4 million at November 30, 2013 and 2012, respectively. We will not be able to access these remaining funds until future auctions for these ARS are 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 our consolidated balance sheet at November 30, 2013.

Based on our cash, cash equivalents and short-term investments balance of $231.4 million, expected operating cash flows and the availability of funds under our revolving credit facility, we do not anticipate that the lack of liquidity associated with our ARS will 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 of 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.

The fair value of debt securities by contractual maturity is as follows (in thousands):

| | November 30, 2013 | November 30, 2012 |
|---|---|---|
| Due in one year or less (1) | $ 42,198 | $ 55,001 |
| Due after one year (2) | 15,185 | 24,745 |
| Total | $ 57,383 | $ 79,746 |

(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 10 to 29 years.
(2) Includes state and municipal bond obligations, which are securities representing investments available for current operations and are classified as current in the consolidated balance sheets.

Investments with continuous unrealized losses and their related fair values are as follows at November 30, 2013 (in thousands):

| | Less Than 12 Months | | 12 Months or Greater | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Auction rate securities – municipal bonds | — | — | 21,933 | (3,317) | 21,933 | (3,317) |
| Auction rate securities – student loans | — | — | 2,828 | (672) | 2,828 | (672) |
| Total | $ — | $ — | $ 24,761 | $ (3,989) | $ 24,761 | $ (3,989) |

Investments with continuous unrealized losses and their related fair values are as follows at November 30, 2012 (in thousands):

| | Less Than 12 Months | | 12 Months or Greater | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| State and municipal bond obligations | $ 5,818 | $ (1) | $ 472 | $ (1) | $ 6,290 | $ (2) |
| Auction rate securities – municipal bonds | — | — | 23,420 | (3,755) | 23,420 | (3,755) |
| Auction rate securities – student loans | — | — | 2,901 | (599) | 2,901 | (599) |
| Corporate bonds | 2,607 | (1) | — | — | 2,607 | (1) |
| Total | $ 8,425 | $ (2) | $ 26,793 | $ (4,355) | $ 35,218 | $ (4,357) |

The unrealized losses associated with state and municipal bond obligations and corporate bonds are attributable to changes in interest rates. The unrealized losses associated with ARS are discussed above. Management does not believe any unrealized losses represent other-than-temporary impairments based on our evaluation of available evidence as of November 30, 2013.

**Note 3: Derivative Instruments**

We generally 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 or other current liabilities on the consolidated balance sheets at the end of each reporting period and expire within 90 days. In fiscal years 2013, 2012 and 2011, realized and unrealized gains (losses) of $1.1 million, $(0.2) million, and $(1.2) million, respectively, from our forward contracts were recognized in other income (expense) in the consolidated statements of income. These gains and losses were substantially offset by realized and unrealized losses and gains on the offsetting positions.

The table below details outstanding foreign currency forward contracts where the notional amount is determined using contract exchange rates (in thousands):

| | November 30, 2013 | | November 30, 2012 | |
|---|---|---|---|---|
| | Notional Value | Fair Value | Notional Value | Fair Value |
| Forward contracts to sell U.S. dollars | $ 26,016 | $ 79 | $ 6,453 | $ 4 |
| Forward contracts to purchase U.S. dollars | 22,483 | 92 | 31,465 | (190) |
| Total | $ 48,499 | $ 171 | $ 37,918 | $ (186) |

In the past, we used foreign currency option contracts that were 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 were recorded at fair value in other current assets on the consolidated balance sheets at the end of each reporting period and expired within one year. In fiscal year 2011, mark-to-market losses of $0.5 million on foreign currency option contracts were recorded in other income (expense) in the consolidated statements of income. We did not hold any option contracts during fiscal years 2013 and 2012.

**Note 4: Fair Value Measurements**

**Recurring Fair Value Measurements**

The following table details the fair value measurements within the fair value hierarchy of our financial assets at November 30, 2013 (in thousands):

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Total Fair Value | Level 1 | Level 2 | Level 3 |
| *Assets* | | | | |
| Money market funds | $ 54,513 | $ 54,513 | $ — | $ — |
| State and municipal bond obligations | 31,102 | — | 31,102 | — |
| Auction rate securities – municipal bonds | 23,453 | — | 1,520 | 21,933 |
| Auction rate securities – student loans | 2,828 | — | — | 2,828 |
| Foreign exchange derivatives | 171 | — | 171 | — |
| *Liabilities* | | | | |
| Contingent consideration | $ (388) | $ — | $ — | $ (388) |

The following table details the fair value measurements within the fair value hierarchy of our financial assets at November 30, 2012 (in thousands):

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Total Fair Value | Level 1 | Level 2 | Level 3 |
| Money market funds | $ 125,591 | $ 125,591 | $ — | $ — |
| State and municipal bond obligations | 50,818 | — | 50,818 | — |
| Auction rate securities – municipal bonds | 23,420 | — | — | 23,420 |
| Auction rate securities – student loans | 2,901 | — | — | 2,901 |
| Corporate bonds | 2,607 | — | 2,607 | — |
| Foreign exchange derivatives | (186) | — | (186) | — |

When developing fair value estimates, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted market prices to measure fair value. 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. If market prices are not available, the fair value measurement is based on models that use primarily market based parameters including yield curves, volatilities, credit ratings and currency rates. In certain cases where market rate assumptions are not available, we are required to make judgments about assumptions market participants would use to estimate the fair value of a financial instrument.

The valuation technique used to measure fair value for our Level 3 assets, which consists of ARS, is primarily an income approach, where the expected weighted average future cash flows are discounted back to present value for each asset. The significant unobservable inputs used in the fair value measurement of our ARS are the probability of earning the maximum rate until maturity, the probability of principal return prior to maturity, the probability of default, the liquidity risk premium and the recovery rate in default. Generally, interrelationships are such that a change in the assumptions used for the probability of principal return prior to maturity is accompanied by a directionally opposite change in one or more the following assumptions: the probability of earning the maximum rate until maturity, the probability of default and the liquidity risk premium. The recovery rate in default is somewhat independent and based upon the ARS' specific underlying assets and published recovery rate studies.

The following table provides additional quantitative information about the unobservable inputs used in our Level 3 asset valuations as of November 30, 2013:

| | Valuation Technique | Unobservable Input | Range (Weighted Average) |
|---|---|---|---|
| Auction rate securities | Discounted cash flow | Probability of earning the maximum rate until maturity | 0.2% - 10.7% (1.9%) |
| | | Probability of principal return prior to maturity | 75.4% - 94.9% (86.7%) |
| | | Probability of default | 4.2% - 24.5% (11.5%) |
| | | Liquidity risk premium | 4.0% |
| | | Recovery rate in default | 50% - 70% (56.5%) |

Significant increases or decreases in the underlying assumptions used to value the ARS could significantly increase or decrease the fair value estimates recorded in the consolidated balance sheets.

The following table reflects the activity for our financial assets measured at fair value using Level 3 inputs for each period presented (in thousands):

| | November 30, 2013 | November 30, 2012 |
|---|---|---|
| Balance, beginning of period | $ 26,321 | $ 33,539 |
| Redemptions and sales | (25) | (6,255) |
| Transfer to Level 2 fair value measurement | (1,520) | (2,700) |
| Realized losses included in earnings | (380) | (270) |
| Unrealized gains included in accumulated other comprehensive loss | 365 | 2,007 |
| Balance, end of period | $ 24,761 | $ 26,321 |

As discussed in Note 2, during the fourth quarter of fiscal year 2013, we accepted an 80% settlement offer on one of our ARS, and as a result we adjusted the fair value of this ARS to the amount of the settlement as of November 30, 2013. We transferred the ARS to a Level 2 fair value measurement, as the value at the end of fiscal year 2013 was based on observable inputs. We recorded a realized loss in other income (expense) in the consolidated statement of income. We received the settlement in December 2013.

During the second quarter of fiscal year 2012, we received a redemption notice for one of our ARS at par value. We transferred the ARS to a Level 2 fair value measurement, as the value at the end of the second quarter was based on observable inputs. The ARS was redeemed in the third quarter of fiscal year 2012. During the fourth quarter of fiscal year 2012, we received a notice to tender one of our ARS, which we executed and recorded a realized loss in other income (expense) in the consolidated statement of income.

We have also classified contingent consideration related to the Rollbase, Inc. acquisition (Rollbase), which occurred in the second quarter of fiscal year 2013 (Note 8), within Level 3 of the fair value hierarchy because the fair value is derived using significant unobservable inputs, which include discount rates and probability-weighted cash flows. We determined the fair value of our contingent consideration obligations based on a probability-weighted income approach derived from probability assessments of the attainment of certain milestones. We establish discount rates to be utilized in our valuation models based on the cost to borrow that would be required by a market participant for similar instruments. In determining the probability of attaining certain milestones, we utilize data regarding similar milestone events from our own experience. On a quarterly basis, we reassess the probability factors associated with the milestones for our contingent consideration obligations. Significant judgment is employed in determining the appropriateness of these key assumptions as of the acquisition date and for each subsequent period.

The key assumptions as of November 30, 2013 related to the contingent consideration for the acquisition of Rollbase used in the model are probabilities in excess of 95% that the milestones associated with the contingent consideration will be achieved and a discount rate of 4.8%. A decrease in the probabilities of achievement could result in a significant decrease to the estimated fair value of the contingent consideration liability. During fiscal year 2013, the change in the fair value of the liability was minimal.

**Nonrecurring Fair Value Measurements**

The following table details our nonrecurring fair value measurements during fiscal year 2012 (in thousands):

| | | Fair Value Measurements Using | | | |
|---|---|---|---|---|---|
| | Total Fair Value | Level 1 | Level 2 | Level 3 | Total Losses |
| Disposal group | $ 16,487 | $ — | $ 16,487 | $ — | $ 8,601 |

The disposal group included the assets and liabilities held for sale of the Artix, Orbacus and Orbix product lines, which had a fair value of $16.5 million. The carrying value of $25.1 million was written down to fair value, less costs to sell, resulting in a loss of $8.6 million. The loss was recorded in income (loss) from discontinued operations.

We evaluate all of our assets held for sale using undiscounted cash flow models or other valuation models, such as comparative transactions and market multiples, to determine their fair values. However, a market approach was more heavily used to value the assets held for sale related to the divestitures of our non-Core product lines as part of the Plan. As bid and transaction values became apparent as we moved through the marketing and divestiture process, the fair values of the assets held for sale was established. The impairment loss recorded for the Artix, Orbacus and Orbix product lines was primarily based on our expectations of a sale price as compared to our estimation of the net assets to be sold at closing. All other non-Core product lines have been sold at a gain in fiscal year 2012 or the first quarter of fiscal year 2013.

**Note 5: Property and Equipment**

Property and equipment consists of the following (in thousands):

| | November 30, 2013 | November 30, 2012 |
|---|---|---|
| Computer equipment and software | $ 45,270 | $ 58,447 |
| Land, buildings and leasehold improvements | 52,384 | 60,282 |
| Furniture and fixtures | 7,107 | 8,718 |
| Property and equipment, gross | 104,761 | 127,447 |
| Less accumulated depreciation and amortization | (47,731) | (64,376) |
| Property and equipment, net | $ 57,030 | $ 63,071 |

Depreciation and amortization expense related to property and equipment was $10.3 million, $9.3 million, and $8.8 million for the years ended November 30, 2013, 2012, and 2011, respectively.

**Note 6: Intangible Assets and Goodwill**

**Intangible Assets**

Intangible assets are comprised of the following significant classes at November 30, 2013 and 2012 (in thousands):

| | November 30, 2013 | | | November 30, 2012 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Book Value | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Purchased technology | $ 44,793 | $ (36,712) | $ 8,081 | $ 42,520 | $ (40,066) | $ 2,454 |
| Customer-related and other | 19,543 | (17,674) | 1,869 | 26,477 | (23,812) | 2,665 |
| Total | $ 64,336 | $ (54,386) | $ 9,950 | $ 68,997 | $ (63,878) | $ 5,119 |

As a result of the Rollbase acquisition in the second quarter of fiscal year 2013 (Note 8), we recorded $7.8 million of purchased technology and $0.2 million of customer relationships as intangible assets during fiscal year 2013. As of the date of acquisition, the acquired intangible assets have a weighted average amortization period of 4.9 years. This was offset by a decrease in the gross carrying amount of our intangible assets due to the disposition of the Apama product line (Note 7).

We amortize intangible assets assuming no expected residual value. The weighted average amortization period for all intangible assets is 6.0 years, including 5.8 years for purchased technology and 6.6 years for customer-related and other intangible assets. Amortization expense related to these intangible assets was $2.1 million, $1.5 million and $2.5 million in fiscal years 2013, 2012 and 2011, respectively.

Future amortization expense for intangible assets as of November 30, 2013 is as follows (in thousands):

| | |
|---|---|
| 2014 | 2,638 |
| 2015 | 2,409 |
| 2016 | 1,906 |
| 2017 | 1,906 |
| 2018 | 1,091 |
| Thereafter | — |
| Total | $ 9,950 |

**Goodwill**

Changes in the carrying amount of goodwill for fiscal years 2013 and 2012 are as follows (in thousands):

| | November 30, 2013 | November 30, 2012 |
|---|---|---|
| Balance, beginning of year | $ 226,110 | $ 256,211 |
| Additions | 4,798 | — |
| Disposals | (6,377) | (11,440) |
| Goodwill transferred to assets held for sale | — | (18,581) |
| Translation adjustments | (245) | (80) |
| Balance, end of year | $ 224,286 | $ 226,110 |

During the fourth quarter of fiscal year 2012 and the first quarter of fiscal year 2013, we completed the divestitures of the ten product lines which were not considered core product lines of our business: Actional, Artix, DataXtend, FuseSource, ObjectStore, Orbacus, Orbix, Savvion, Shadow and Sonic. The divestitures were part of the Plan. After the announcement of the Plan, we began reporting our results in two reportable segments: Core and non-Core. Since the non-Core segment ceased to exist during the first quarter of fiscal year 2013, after the closing of all these divestitures, we now operate as one reportable segment. As of November 30, 2013, all of the goodwill is attributed to our single operating segment. The addition to goodwill during fiscal year 2013 is related to the acquisition of Rollbase. The disposal is related to the sale of the Apama product line.

The disposal of goodwill during fiscal year 2012 is related to the sales of our FuseSource and Shadow product lines. The transfer of goodwill to assets held for sale is related to our Actional, Artix, DataXtend, ObjectStore, Orbacus, Orbix, Savvion and Sonic product lines.

We assess the impairment of goodwill on an annual basis as of December 15 of each year and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Our annual testing for fiscal years 2013, 2012 and 2011 indicated that no impairment of goodwill existed.

During fiscal year 2012, we tested goodwill for impairment at three different dates: our December 15 annual testing date and in the second and third quarters. The testing outside our annual date was based on our assessment that triggering events had occurred.

During the second quarter of fiscal year 2012, as a result of continued declines in the performance of certain of our old reporting units and in connection with the announcement of the Plan, we determined an impairment triggering event occurred that required us to perform an interim goodwill impairment test. The test indicated that our old reporting units had an estimated fair value that was in excess of their carrying values. However, the difference between the carrying value and fair value of our old Enterprise Business Solutions reporting unit had decreased since the December 15, 2011 annual test as a result of updates to our internal forecasts and projected cash flows.

During the third quarter of fiscal year 2012, in furtherance of the Plan, we changed the structure of our internal organization and the way we managed our business. As a result, our reportable segment information was restated to reflect the new structure. Our evaluation of reporting units was also reassessed and changed to reflect the new structure and operations. Under our new structure, our reportable segments were also our reporting units for goodwill impairment testing purposes. We did not aggregate any reporting units. During the third quarter of fiscal year 2012, we reassigned goodwill to the new reporting units and reportable segments based on the relative fair values of the reporting units.

In connection with the reassignment of goodwill to our new reporting units, we determined an impairment triggering event occurred that required us to perform an interim goodwill impairment test. We performed the test for both our old and new reporting units to ensure no impairment existed prior to the reassignment of goodwill or resulted after the reassignment of goodwill. The tests indicated that our reporting units under our old and new structures had estimated fair values that were in excess of their carrying values, and thus, no impairment was present. The fair values of our reporting units under our new segment structure were substantially in excess of their carrying values.

We adopted Accounting Standards Update (ASU) No. 2011-08, *Intangibles - Goodwill and Other (Topic 350) - Testing Goodwill for Impairment* (ASU 2011-08) for our fiscal 2013 annual impairment test. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not (“MLTN”) that the fair value of a reporting unit is less than its carrying value. If it is concluded that it is MLTN that the fair value is less than carrying value, then it is necessary to perform the currently prescribed two-step goodwill impairment test. Alternatively, if it is concluded that is it MLTN that the fair value exceeds carrying value, the currently prescribed two-step goodwill impairment test is not required. At the time of our fiscal year 2013 annual test, the only remaining goodwill was that of our Core segment and reporting unit. We performed our qualitative assessment and concluded that it was not MLTN that the fair value of our reporting unit was less than its carrying value.

At the time of our filing of this Annual Report on Form 10-K, we have completed our annual goodwill impairment test for fiscal year 2014. We operate as a single operating segment with one reporting unit and consequently evaluate goodwill for impairment based on an evaluation of the fair value of the Company as a whole. We performed our qualitative assessment and concluded that it was not MLTN that the fair value of our reporting unit was less than its carrying value.

We recorded no impairment losses in fiscal years 2013, 2012 or 2011.

**Note 7: Divestitures**

Under the Plan, we announced that we would divest all product lines which were not considered core product lines of our business: Actional, Artix, DataXtend, FuseSource, ObjectStore, Orbacus, Orbix, Savvion, Shadow and Sonic. The FuseSource and Shadow product lines were divested in fiscal year 2012. The remaining product lines were divested in the first quarter of fiscal year 2013.

In the second quarter of fiscal year 2013, we entered into a definitive purchase and sale agreement to divest our Apama product line to Software AG. The sale closed in July 2013 for a purchase price of $44.3 million.

Revenues and direct expenses of the divested product lines have been reclassified as discontinued operations for all periods presented. The fiscal year 2012 and 2011 results include revenues and direct expenses of all divested product lines, since we earned revenues and incurred direct expenses for all or part of fiscal year 2012 and 2011 for each of those product lines. The fiscal year 2013 results include the revenues and direct expenses of the product lines which had not been divested prior to the start of fiscal year 2013.

**Apama**

In the second quarter of fiscal year 2013, we entered into a definitive purchase and sale agreement to divest our Apama product line to Software AG. The sale closed in July 2013 for a purchase price of $44.3 million. Of the total consideration, $4.5 million is held in escrow to secure indemnification claims, if any, for up to 18 months. As of November 30, 2013, the escrow is included in other assets on the consolidated balance sheet. In connection with the sale, we also entered into a three year distributor license agreement with Software AG for $0.7 million for one of our DataDirect products. The distributor license agreement does not constitute direct cash flows or significant continuing involvement of the Apama product line, and thus does not preclude us from discontinued operations treatment.

Revenues and direct expenses of the Apama product line have been reclassified as discontinued operations for all periods presented. The components included in discontinued operations on the consolidated statements of income are as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Revenue | $ 10,550 | $ 17,593 | $ 27,094 |
| Income (loss) before income taxes | (12,482) | (18,348) | (7,469) |
| Income tax provision (benefit) | (3,152) | (5,998) | (2,422) |
| Gain on sale, net of tax | 22,070 | — | — |
| Income (loss) from discontinued operations, net | $ 12,740 | $ (12,350) | $ (5,047) |

The gain on the sale of the Apama product line was calculated as follows (in thousands):

| | |
|---|---|
| Purchase price | $ 44,268 |
| Less: transaction costs | 2,029 |
| Less: net assets | |
| Accounts receivable | 2,426 |
| Other current assets | 428 |
| Goodwill and intangible assets | 6,991 |
| Other long-term assets | 426 |
| Deferred revenue | (3,917) |
| Gain on sale | 35,885 |
| Tax provision | 13,815 |
| Gain on sale, net of tax | $ 22,070 |

**Artix, Orbacus and Orbix**

In the first quarter of fiscal year 2013, we entered into a definitive purchase and sale agreement to divest our Artix, Orbacus and Orbix product lines to a subsidiary of Micro Focus International plc (Micro Focus). The divestiture of these product lines was part of the Plan. The sale closed in February 2013 for total consideration of $15.0 million. As of November 30, 2012, we met the requirements to classify the sale of these product lines as both held for sale and discontinued operations in the consolidated financial statements.

The assets and liabilities sold to Micro Focus were classified as assets and liabilities held for sale on the consolidated balance sheet as of November 30, 2012 and were recorded at the lower of their carrying values or fair values less costs to sell, and were no longer being depreciated or amortized. The major categories of the assets and liabilities held for sale were as follows (in thousands):

| | | |
|---|---|---|
| Assets: | | |
| Accounts receivable | $ | 6,046 |
| Goodwill and intangible assets | | 24,325 |
| Other long-term assets | | 4 |
| Impairment reserve | | (8,601) |
| Total assets held for sale | $ | 21,774 |
| Liabilities: | | |
| Deferred revenue | $ | 5,287 |
| Total liabilities held for sale | $ | 5,287 |

Revenues and direct expenses of these product lines have been reclassified as discontinued operations for all periods presented. The components included in discontinued operations on the consolidated statements of income are as follows (in thousands):

| | Fiscal Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | November 30, 2013 | | November 30, 2012 | | November 30, 2011 | |
| Revenue | $ | 5,786 | $ | 28,942 | $ | 33,983 |
| Income before income taxes | | 2,625 | | 6,003 | | 13,237 |
| Income tax provision | | (130) | | 3,562 | | 3,596 |
| Gain on sale, net of tax | $ | 2,009 | $ | — | $ | — |
| Income from discontinued operations, net | $ | 4,764 | $ | 2,441 | $ | 9,641 |

In the fourth quarter of fiscal year 2012, we recorded an impairment loss of $8.6 million related to the assets held for sale of the Artix, Orbacus and Orbix product lines based on our expectations of a sales price as compared to our estimation of the net assets to be sold at closing. The impairment loss was recorded as a reserve against the assets held for sale as of November 30, 2012 and was included in income (loss) from discontinued operations.

The gain on sale of the Artix, Orbacus and Orbix product lines was calculated as follows (in thousands):

| | | |
|---|---|---|
| Purchase price | $ | 15,000 |
| Less: transaction costs | | 826 |
| Less: indemnification obligation | | 30 |
| Less: net assets | | |
| Accounts receivables | | 2,872 |
| Goodwill and intangible assets | | 24,325 |
| Other assets | | 20 |
| Impairment reserve | | (8,601) |
| Deferred revenue | | (6,481) |
| Gain on sale | | 2,009 |
| Tax provision | | — |
| Gain on sale, net of tax | $ | 2,009 |

In the first quarter of fiscal year 2013, upon the closing of the sale of Artix, Orbacus and Orbix, we amended the definitive purchase and sale agreement with Micro Focus to provide an additional indemnification obligation with respect to a specified vendor. The fair value of the indemnification obligation on the date the sale closed was $1.0 million. During the fourth quarter of fiscal year 2013, the matter was resolved and our actual indemnification obligation was $30,000. Additionally, since the close of the sale in the first quarter, we have adjusted the net assets sold by an immaterial amount. We have updated the gain on sale calculation as of November 30, 2013 to reflect these changes.

The gain recorded in fiscal year 2013 was the result of differences in our estimation of net assets to be sold at closing as of November 30, 2012 versus the actual value of the net assets sold at closing.

**Actional, DataXtend, ObjectStore, Savvion and Sonic**

In the fourth quarter of fiscal year 2012, we entered into a definitive purchase and sale agreement to divest our Actional, DataXtend, Savvion and Sonic product lines to the investment arm of Trilogy Enterprises (Trilogy). In December 2012, the agreement was amended to include the sale of our ObjectStore product line. The divestiture of these product lines was part of the Plan. The sale closed in December 2012 for total consideration of $60.5 million. As of November 30, 2012, we met the requirements to classify the sale of these product lines as both held for sale and discontinued operations in the consolidated financial statements.

The assets and liabilities sold to Trilogy were classified as assets and liabilities held for sale on the consolidated balance sheet as of November 30, 2012 and were recorded at the lower of their carrying values or fair values less costs to sell, and were no longer being depreciated or amortized. The major categories of the assets and liabilities held for sale were as follows (in thousands):

| | | |
|---|---|---|
| Assets: | | |
| Accounts receivable | $ | 13,691 |
| Other current assets | | 412 |
| Goodwill and intangible assets | | 31,693 |
| Other long-term assets | | 459 |
| Total assets held for sale | $ | 46,255 |
| Liabilities: | | |
| Deferred revenue | $ | 19,998 |
| Total liabilities held for sale | $ | 19,998 |

Revenues and direct expenses of these product lines have been reclassified as discontinued operations for all periods presented. The components included in discontinued operations on the consolidated statements of income are as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Revenue | $ (450) | $ 81,576 | $ 107,821 |
| Loss before income taxes | (980) | (18,314) | (27,484) |
| Income tax benefit | (248) | (6,234) | (10,067) |
| Gain on sale, net of tax | $ 18,358 | $ — | $ — |
| Income (loss) from discontinued operations, net | $ 17,626 | $ (12,080) | $ (17,417) |

The gain on sale of the Actional, DataXtend, ObjectStore, Savvion and Sonic product lines was calculated as follows (in thousands):

| | |
|---|---|
| Purchase price | $ 60,500 |
| Less: transaction costs | 1,211 |
| Less: net assets | |
| Accounts receivables | 12,380 |
| Goodwill and intangible assets | 31,693 |
| Other assets | 976 |
| Deferred revenue | (19,168) |
| Other liabilities | (299) |
| Gain on sale | 33,707 |
| Tax provision | 15,349 |
| Gain on sale, net of tax | $ 18,358 |

Note that since the close of the sale in the first quarter, we have adjusted the net assets sold by an immaterial amount. We have updated the gain on sale calculation as of November 30, 2013 to reflect these changes.

**Shadow**

In the fourth quarter of fiscal year 2012, we entered into a definitive purchase and sale agreement to divest our Shadow product line to Rocket Software, Inc. The divestiture of the Shadow product line was part of the Plan. The sale closed in October 2012, for total consideration of $33.0 million. Of the total consideration, $3.3 million was held in escrow to secure indemnification claims, if any, for 15 months. As of November 30, 2013 and 2012, the escrow is included in other assets on the consolidated balance sheet.

Revenues and direct expenses of the Shadow product line have been reclassified as discontinued operations for all periods presented. The components included in discontinued operations on the consolidated statements of income are as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Revenue | $ — | $ 12,518 | $ 16,267 |
| Income (loss) before income taxes | — | 4,882 | 4,067 |
| Income tax provision (benefit) | — | 164 | 1,079 |
| Gain on sale, net of tax | — | 12,692 | — |
| Income from discontinued operations, net | $ — | $ 17,410 | $ 2,988 |

The gain on sale of the Shadow product line was calculated as follows (in thousands):

| | | |
|---|---|---|
| Purchase price | $ | 31,903 |
| Less: transaction costs | | 1,264 |
| Less: net assets sold | | |
| Accounts receivables | | 1,592 |
| Goodwill and intangible assets | | 10,540 |
| Other assets | | 103 |
| Deferred revenue | | (6,859) |
| Gain on sale | $ | 25,263 |
| Tax provision | | 12,571 |
| Gain on sale, net of tax | $ | 12,692 |

The total purchase price was reduced by $1.1 million, the amount of consideration received as part of the total $33.0 million of consideration from Rocket Software, Inc., for a three year distributor license agreement for one of our DataDirect products. The distributor license agreement does not constitute direct cash flows or significant continuing involvement of the Shadow product line, and thus does not preclude us from discontinued operations treatment.

**FuseSource**

In the third quarter of fiscal year 2012, we entered into a definitive purchase and sale agreement to divest our FuseSource product line to Red Hat, Inc. The divestiture of the FuseSource product line was part of the Plan. The sale closed in September 2012, for total consideration of $21.3 million. Of the total consideration, $2.1 million is held in escrow to secure indemnification claims, if any, for up to 15 months. As of November 30, 2013 and 2012, the escrow is included in other assets on the consolidated balance sheet.

Revenues and direct expenses of the FuseSource product line have been reclassified as discontinued operations for all periods presented. The components included in discontinued operations on the consolidated statements of income are as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Revenue | $ — | $ 14,484 | $ 14,820 |
| Loss before income taxes | — | (7,118) | (2,840) |
| Income tax benefit | — | (3,000) | (915) |
| Gain on sale, net of tax | — | 11,187 | — |
| Income (loss) from discontinued operations, net | $ — | $ 7,069 | $ (1,925) |

The gain on sale of the FuseSource product line was calculated as follows (in thousands):

| | | |
|---|---|---|
| Purchase price | $ | 21,300 |
| Less: net assets sold | | |
| Accounts receivables | | 2,749 |
| Goodwill and intangible assets | | 3,690 |
| Other assets | | 167 |
| Deferred revenue | | (5,148) |
| Gain on sale | $ | 19,842 |
| Tax provision | | 8,655 |
| Gain on sale, net of tax | $ | 11,187 |

**Note 8: Business Combinations**

**Rollbase Acquisition**

On May 24, 2013, we acquired 100% of the equity interests in Rollbase, Inc. (Rollbase), a privately held software vendor based in Saratoga, California, for $9.9 million. The purchase consideration consisted of $9.5 million in cash paid and $0.4 million of contingent consideration, expected to be paid out over a two year period. The fair value of the contingent consideration was estimated to be $0.4 million at the date of acquisition. Rollbase provides Application Platform-as-a-Service (aPaas) technology that allows the rapid design, development and deployment of on-demand business applications. The purpose of the acquisition was to further the Plan in which we intend to become a leading provider of a next-generation, context-aware application development and deployment platform in the cloud for the aPaas market. The acquisition was accounted for as a business combination, and accordingly, the results of operations of Rollbase are included in our operating results from the date of acquisition. We paid the purchase price in cash from available funds.

The allocation of the purchase price is as follows (in thousands):

| | Total | Life |
|---|---|---|
| Cash | $ 50 | |
| Acquired intangible assets | 7,960 | 1 to 5 years |
| Goodwill | 4,798 | |
| Deferred taxes | (2,921) | |
| Accounts payable and other liabilities | (8) | |
| Net assets acquired | $ 9,879 | |

The purchase consideration includes contingent consideration payable by the Company based on the achievement of certain milestones. The Company determined the fair value of the contingent consideration obligations by calculating the probability-weighted earn-out payments based on the assessment of the likelihood that the milestones will be achieved. The probability-weighted earn-out payments were then discounted using a discount rate commensurate with the credit risk of the Company. During the fiscal year ended November 30, 2013, the change in the fair value of the contingent consideration payable was minimal.

The stock purchase agreement included contingent earn-out provisions requiring the Company to make payments to former Rollbase owners now employed by the Company. We have concluded that the earn-out provisions for the individuals now employed by the Company, which total approximately $5.0 million, are compensation arrangements and we will accrue the maximum payouts ratably over the two year performance period, as we believe it is probable that the criteria will be met. We have incurred $1.9 million of expense related to the contingent earn-out provisions for the fiscal year ended November 30, 2013. These amounts are recorded as acquisition-related expenses in our consolidated statement of operations.

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 future enhancement of our product and solution offerings created as a result of this acquisition has principally contributed to a purchase price that resulted in the recognition of $4.8 million of goodwill, which is not deductible for tax purposes. The allocation of the purchase price was completed in the third quarter of fiscal year 2013 upon the finalization of our valuation of identifiable intangible assets and acquired deferred tax liabilities.

We incurred $3.2 million of acquisition-related costs which are included in acquisition-related expenses in our consolidated statement of operations for the fiscal year ended November 30, 2013. This amount includes a $1.0 million termination fee related to a pre-existing license arrangement between Rollbase and another third-party.

We have not disclosed the amount of revenues and earnings of Rollbase since acquisition, nor pro forma financial information, as those amounts are not significant to our condensed consolidated financial statements.

**Corticon Acquisition**

On October 26, 2011, we acquired all of the equity interests in Corticon, a privately held business enterprise software company based in Redwood City, California, for $23.0 million. Corticon is a business rules management system vendor that enables organizations to make better, faster decisions by automating business rules. The purpose of the acquisition was to expand our product offerings. The acquisition was accounted for as a purchase, and accordingly, the results of operations of Corticon are included in our operating results from the date of acquisition. We paid the purchase price in cash from available funds.

The allocation of the purchase price is as follows (in thousands):

| | Total | Life |
|---|---|---|
| Accounts receivable | $ 835 | |
| Property and equipment | 112 | |
| Other assets | 125 | |
| Deferred taxes | 4,033 | |
| Acquired intangible assets | 4,910 | 3 to 7 years |
| Goodwill | 19,427 | |
| Accounts payable and other liabilities | (2,903) | |
| Deferred revenue | (3,639) | |
| Net cash paid | $ 22,900 | |

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 future enhancement of our product and solution offerings created as a result of this acquisition has principally contributed to a purchase price that resulted in the recognition of $19.4 million of goodwill, which is not deductible for tax purposes. The allocation of the purchase price was completed in the second quarter of fiscal year 2012, upon the finalization of our valuation of acquired deferred tax assets and liabilities.

We have not disclosed the amount of revenues and earnings of Corticon since acquisition, nor pro forma financial information, as those amounts are not significant to our consolidated financial statements.

**Note 9: Line of Credit**

On August 15, 2011, we entered into a credit agreement (the "Credit Agreement") for an unsecured credit facility with J.P. Morgan and other lenders that matures on August 15, 2016, at which time all amounts outstanding must be repaid. The credit facility provides for a revolving line of credit in the amount of $150.0 million, with a sublimit for the issuance of standby letters of credit in a face amount up to $25.0 million and swing line loans up to $20.0 million. The credit facility also permits us to increase the revolving line of credit by up to an additional $75.0 million subject to receiving further commitments from lenders and certain other conditions. We intend to utilize the line of credit for general corporate purposes, including acquisitions, stock repurchases and working capital.

Revolving loans accrue interest at a per annum rate based on our choice of either (i) the LIBOR rate plus a margin ranging from 1.25% to 1.75% or (ii) the base rate plus a margin ranging from 0.25% to 0.75%, both depending on our consolidated leverage ratio. The base rate is defined as the highest of (i) the administrative agent’s prime rate (ii) the federal funds rate plus 0.50%, and (iii) the LIBOR rate for a one month interest period plus a margin equal to 1.00%. A quarterly commitment fee on the undrawn portion of the revolving credit facility is required, at a per annum rate ranging from 0.25% to 0.35%, depending on our consolidated leverage ratio. The loan origination fee and issuance costs incurred upon consummation of the Credit Agreement are being amortized through interest expense using the effective interest rate method, over the five year term of the facility. Other customary fees and letter of credit fees may be charged and will be expensed as they are incurred.

Accrued interest on the loans is payable quarterly in arrears with respect to base rate loans and at the end of each interest rate period (or at each three month interval in the case of loans with interest periods greater than three months) with respect to LIBOR rate loans. We may prepay, terminate or reduce the loan commitments in whole or in part at any time, without premium or penalty, subject to certain conditions and reimbursement of certain costs in the case of LIBOR rate loans. The Credit Agreement contains customary affirmative and negative covenants, including a requirement to maintain a balance of at least

$100.0 million in cash and cash equivalents while making restricted equity-related payments (e.g. cash dividend distributions or share repurchases of our common stock). We are also required to maintain compliance with a consolidated leverage ratio of no greater than 3.00 to 1.00 and a consolidated interest coverage ratio of at least 3.00 to 1.00. As of November 30, 2013, there were no amounts outstanding under the revolving line and $0.8 million of letters of credit outstanding.

**Note 10: Commitments and Contingencies**

**Leasing Arrangements**

We lease certain facilities and equipment under non-cancelable operating lease arrangements. Future minimum rental payments under these leases are as follows at November 30, 2013 (in thousands):

| | | |
|---|---|---|
| 2014 | | 5,595 |
| 2015 | | 4,260 |
| 2016 | | 2,327 |
| 2017 | | 1,620 |
| 2018 | | 1,079 |
| Thereafter | | 1,448 |
| Total | $ | 16,329 |

Our operating lease arrangements are subject to customary renewal and base rental fee escalation clauses. Total rent expense, net of sublease income which is insignificant, under operating lease arrangements was approximately $6.5 million, $8.7 million and $10.3 million in fiscal years 2013, 2012 and 2011, respectively.

**Guarantees and Indemnification Obligations**

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

**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 other legal matters will have a material effect on our financial position, results of operations or cash flows.

On January 21, 2010, JuxtaComm-Texas Software, LLC (JuxtaComm) filed a complaint in the Eastern District of Texas against Progress Software, 2 of our subsidiaries and 19 other defendants, alleging infringement of JuxtaComm's U.S. patent 6,195,662 ("System for Transforming and Exchanging Data Between Distributed Heterogeneous Computer Systems"). In its amended complaint, JuxtaComm alleged that certain of the products within our Sonic, FuseSource, DataDirect Connect and DataServices product sets infringe JuxtaComm's patent. In its complaint, JuxtaComm sought unspecified monetary damages and permanent injunctive relief.

In February 2012, we began settlement discussions with JuxtaComm and, in March 2012, the matter was settled upon our payment of $0.9 million. The Company received a release and discharge of any past damages related to potential infringement of the subject patent and a non-exclusive, non-transferable, fully paid, worldwide, perpetual license covering all future uses of the subject patent within our products. We recorded the settlement in the first quarter of fiscal year 2012 as general and administrative expense in the consolidated statement of income.

**Note 11: Shareholders' Equity**

**Preferred Stock**

Our Board of Directors is authorized to establish one or more series of preferred stock and to fix and determine the number and conditions of preferred shares, including dividend rates, redemption and/or conversion provisions, if any, preferences and voting rights. As of November 30, 2013, there was no preferred stock issued or outstanding.

**Common Stock**

We have 200,000,000 shares of authorized common stock, $0.01 par value per share, of which 51,512,595 were issued and outstanding at November 30, 2013.

We issued 31,000 shares of common stock in fiscal year 2011 with a fair value of $0.7 million, respectively, to members of the Board the Directors as a component of the annual compensation paid to non-employee directors.

There were 74,900 deferred stock units (DSUs) outstanding at November 30, 2013. Each DSU represents one share of our common stock and all DSU grants have been made to non-employee members of our Board of Directors. The DSUs granted prior to fiscal year 2011 were fully vested on the date of grant and do not have voting rights and can only be converted into common stock when the recipient ceases being a member of the Board of Directors. There were 21,700 DSUs granted in fiscal year 2011, of which 12,799 were vested as of November 30, 2013.

*Common Stock Repurchases*

During the second quarter of fiscal year 2012, in conjunction with the Plan, the Board of Directors authorized a $350.0 million return of capital to shareholders in the form of a share repurchase through fiscal year 2013. In July 2013, the Board increased the authorization by $10.0 million to $360.0 million. In fiscal years 2013 and 2012, we repurchased and retired 11,579,000 shares and 4,494,000 shares, respectively, of our common stock for $269.5 million and $88.4 million, respectively.

In fiscal year 2011 we repurchased and retired 8,391,000 shares of our common stock for $200.0 million. The shares repurchased and retired in fiscal year 2011 were repurchased as part of previously announced share repurchase program, which was completed in fiscal year 2011.

In January 2014, our Board of Directors authorized a new $100.0 million share repurchase program. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

**Note 12: Stock-Based Compensation**

We currently have one shareholder-approved stock plan from which we can issue stock-based awards, which was approved by our shareholders in fiscal year 2008 (2008 Plan). The 2008 Plan replaced the 1992 Incentive and Nonqualified Stock Option Plan, the 1994 Stock Incentive Plan and the 1997 Stock Incentive Plan (collectively, the "Previous Plans"). The Previous Plans solely exist to satisfy outstanding options previously granted under those plans. The 2008 Plan permits the granting of stock awards to officers, members of the Board of Directors, employees and consultants. Awards under the 2008 Plan may include nonqualified stock options, incentive stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals, deferred stock units and stock appreciation rights. A total of 47,010,000 shares are issuable under these plans, of which 9,703,158 shares were available for grant as of November 30, 2013.

We have adopted two stock plans for which the approval of shareholders was not required: the 2002 Nonqualified Stock Plan (2002 Plan) and the 2004 Inducement Stock Plan (2004 Plan). The 2002 Plan permits the granting of stock awards to non-executive officer employees and consultants. Executive officers and members of the Board of Directors are not eligible for awards under the 2002 Plan. Awards under the 2002 Plan may include nonqualified stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. A total of 9,750,000 shares are issuable under the 2002 Plan, of which 797,910 shares were available for grant as of November 30, 2013.

The 2004 Plan is reserved for persons to whom we may issue securities as an inducement to become employed by us pursuant to the rules and regulations of the NASDAQ Stock Market. Awards under the 2004 Plan may include nonqualified stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. A total of 1,500,000 shares are issuable under the 2004 Plan, of which 583,021 shares were available for grant as of November 30, 2013.

Under all of our plans, the options granted prior to fiscal year 2005 generally vest over five years and have terms of ten years. The options granted from fiscal year 2005 through fiscal year 2010 generally vest over five years and have terms of seven years, and the options granted in fiscal year 2011 and 2012 vest over four years and have a term of seven years.

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

| | Shares (in thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (1) (in thousands) |
|---|---|---|---|---|
| Options outstanding, December 1, 2012 | 5,204 | $ 19.99 | | |
| Granted | 41 | 21.46 | | |
| Exercised (2) | (2,763) | 18.61 | | |
| Canceled | (493) | 26.10 | | |
| Options outstanding, November 30, 2013 | 1,989 | $ 20.43 | 2.79 | $ 12,780 |
| Exercisable, November 30, 2013 | 1,669 | $ 19.95 | 2.50 | $ 11,407 |
| Vested or expected to vest, November 30, 2013 | 1,989 | $ 20.43 | 2.79 | $ 12,780 |

(1) The aggregate intrinsic value was calculated based on the difference between the closing price of our stock on November 30, 2013 of $26.34 and the exercise prices for all in-the-money options outstanding.
(2) Includes 41,000 options included in a stock-swap, which allowed optionees to pay the exercise price by surrendering shares already owned. The net shares of common stock resulting from option exercises is 2,722,000 as reflected in the statement of shareholders' equity.

A summary of the status of our restricted stock units as of November 30, 2013 is as follows (in thousands, except per share data):

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Restricted stock units outstanding, December 1, 2012 | 984 | $ 20.60 |
| Granted | 1,055 | 23.70 |
| Issued | (697) | 21.87 |
| Canceled | (225) | 20.89 |
| Restricted stock units outstanding, November 30, 2013 | 1,117 | $ 22.67 |

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

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

The 1991 Employee Stock Purchase Plan (ESPP) permits eligible employees to purchase up to an aggregate of 8,650,000 shares of our common stock through accumulated payroll deductions. The ESPP has a 27 month offering period comprised of nine three month purchase periods. The purchase price of the stock is equal to 85% of the lesser of the market value of such shares at the beginning of a 27 month offering period or the end of each three month segment within such offering period. If the market price at any of the nine purchase periods is less than the market price on the first date of the 27 month offering period, subsequent to the purchase, the offering period is canceled and the employee is entered into a new 27 month offering period with the then current market price as the new base price. We issued 281,000 shares, 376,000 shares and 594,000 shares with weighted average purchase prices of $15.28, $15.04 and $11.52 per share, respectively, in fiscal years 2013, 2012 and 2011, respectively. At November 30, 2013, approximately 930,000 shares were available and reserved for issuance under the ESPP.

We estimated the fair value of stock options and ESPP awards granted in fiscal years 2013, 2012 and 2011 on the measurement dates using the Black-Scholes option valuation model with the following weighted average assumptions:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Stock options: | | | |
| Expected volatility | 31.9% | 30.0% | 27.3% |
| Risk-free interest rate | 0.7% | 0.8% | 1.7% |
| Expected life (in years) | 4.8 | 4.8 | 4.8 |
| Expected dividend yield | — | — | — |
| Employee stock purchase plan: | | | |
| Expected volatility | 31.8% | 34.1% | 25.8% |
| Risk-free interest rate | 0.2% | 0.2% | 0.4% |
| Expected life (in years) | 1.5 | 1.5 | 1.6 |
| Expected dividend yield | — | — | — |

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

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

Based on the above assumptions, the weighted average estimated fair value of stock options granted in fiscal years 2013, 2012 and 2011 was $6.08, $5.66 and $7.31 per share, respectively. We amortize the estimated fair value of stock options to expense over the vesting period using the straight-line method. The weighted average estimated fair value for shares issued under our ESPP in fiscal years 2013, 2012 and 2011 was $6.88, $6.53 and $6.44 per share, respectively. We amortize the estimated fair value of shares issued under the ESPP to expense over the vesting period using a graded vesting model.

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

Total unrecognized stock-based compensation expense, net of expected forfeitures, related to unvested stock options and unvested restricted stock awards amounted to $22.0 million at November 30, 2013. These costs are expected to be recognized over a weighted average period of 2.0 years.

The following additional activity occurred under our plans (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Total intrinsic value of stock options on date exercised | $ 14,009 | $ 9,601 | $ 31,566 |
| Total fair value of deferred stock units on date vested | 127 | 114 | 40 |
| Total fair value of restricted stock units on date vested | 16,631 | 13,772 | 9,120 |

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

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Cost of software licenses | $ — | $ 9 | $ 9 |
| Cost of maintenance and services | 601 | 725 | 643 |
| Sales and marketing | 3,599 | 3,274 | 2,648 |
| Product development | 4,723 | 3,170 | 2,708 |
| General and administrative | 10,186 | 10,983 | 12,888 |
| Stock-based compensation from continuing operations | 19,109 | 18,161 | 18,896 |
| Loss from discontinued operations | 2,290 | 10,072 | 7,103 |
| Total stock-based compensation | $ 21,399 | $ 28,233 | $ 25,999 |
| Income tax benefit included in the provision for income taxes from continuing operations | $ 5,146 | $ 4,491 | $ 4,742 |

**Separation and Divestiture Arrangements**

During fiscal year 2011, we entered into an amendment to the existing severance agreement with Richard D. Reidy, our former President and Chief Executive Officer. The amendment was entered into in connection with the announcement that Mr. Reidy would terminate employment when his successor was named. Mr. Reidy continued as our President and Chief Executive Officer until his successor commenced employment on December 5, 2011.

The amendment entitled Mr. Reidy to severance and acceleration of vesting of Mr. Reidy's unvested equity to the extent such equity would have vested during the twenty-four months following termination of employment. The amendment also provided for an extension of the period of time during which Mr. Reidy may exercise his vested stock options following his termination from three months to a total of fifteen months.

We recognized $4.6 million of stock-based compensation expense in fiscal year 2011 as a result of this arrangement. The expense was recorded in general and administrative expense on the consolidated statement of income.

During fiscal year 2012, the employment of three of our executives terminated, including our former Chief Financial Officer, Charles F. Wagner, Jr. As part of the separation agreements, the executives were entitled to accelerated vesting of certain stock-based awards. Due to the separation and accelerated vesting, we recognized additional stock-based compensation of $1.8 million, of which $0.9 million was recorded as general and administrative expense and $0.9 million was recorded as sales and marketing expense, in the consolidated statement of income.

During fiscal year 2012, we entered into transition agreements with certain employees of our non-Core product lines. As part of the transition agreements, the employees are entitled to accelerated vesting of stock-based awards if the employees remain employees of the company through the date their non-Core product line is divested. We recognized additional stock-based compensation of $1.3 million in the consolidated statement of income as a result of these agreements.

During fiscal year 2013, in connection with the divestiture of the Apama product line, we entered into transition agreements with five executives. As part of the agreements, the executives were entitled to accelerated vesting of certain stock-based awards upon the completion of the divestiture. All employees associated with the Apama product line were also entitled to accelerated vesting of certain stock-based awards upon the completion of the divestiture. Due to the accelerated vesting, we recognized additional stock-based compensation of $1.4 million.

**Note 13: Retirement Plan**

We maintain a retirement plan covering all U.S. employees under Section 401(k) of the Internal Revenue Code. Company contributions to the plan are at the discretion of the Board of Directors and totaled approximately $1.9 million, $2.9 million and $2.4 million for fiscal years 2013, 2012 and 2011, respectively.

**Note 14: Restructuring**

**2013 Restructuring**

During the third quarter of fiscal year 2013, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of the sale of the Apama product line and the divestitures completed during the fourth quarter of fiscal year 2012 and the first quarter of fiscal year 2013. We reduced our global workforce primarily within the administrative and sales organizations. This workforce reduction was conducted across all geographies and also resulted in the closing of certain facilities.

Restructuring expenses relate to employee costs, including severance, health benefits, outplacement services and transition divestiture arrangements, but excluding stock-based compensation, and facilities costs, which include fees to terminate lease agreements and costs for unused space, net of sublease assumptions. Other costs include costs to terminate automobile leases of employees included in the workforce reduction, asset impairment charges for assets no longer deployed as part of cost reduction strategies, costs for unused software licenses as part of the workforce reduction and other costs directly associated with the restructuring actions taken.

As part of the 2013 restructuring, we incurred expenses in the fiscal year 2013 totaling $8.7 million, of which $1.1 million represents excess facilities and other costs and $7.6 million represents employee severance and related benefits. The expenses are recorded as restructuring expenses in the condensed consolidated statements of income, with the exception of $0.4 million included in income (loss) from discontinued operations. We do not expect to incur additional material costs with respect to the 2013 restructuring.

A summary of activity for the 2013 restructuring action is as follows (in thousands):

| | Excess Facilities and Other Costs | Employee Severance and Related Benefits | Total |
|---|---|---|---|
| Balance, December 1, 2012 | $ — | $ — | $ — |
| Costs incurred | 1,126 | 7,594 | 8,720 |
| Cash disbursements | (510) | (6,577) | (7,087) |
| Translation adjustments and other | (47) | 60 | 13 |
| Balance, November 30, 2013 | $ 569 | $ 1,077 | $ 1,646 |

Cash disbursements under the 2013 restructuring are expected to be made through fiscal year 2017. The short-term portion of the restructuring reserve of 1.4 million is included in other accrued liabilities and the long-term portion of $0.2 million is included in other noncurrent liabilities on the consolidated balance sheet at November 30, 2013.

**2012 Restructuring**

In the second quarter of fiscal 2012, as part of the Plan, our management approved, committed to and initiated certain operational restructuring initiatives to reduce annual costs, including the simplification of our organizational structure and the consolidation of facilities. In addition, as part of the Plan, we divested our non-Core product lines. Our restructuring actions include both our cost reduction efforts and qualifying costs associated with our divestitures.

As part of the 2012 restructuring, we incurred expenses in the fiscal year 2013 totaling $4.3 million, of which $1.5 million represents excess facilities and other costs and $2.8 million represents employee severance and related benefits. The expenses are recorded as restructuring expenses in the condensed consolidated statements of income, with the exception of $0.6 million as income (loss) from discontinued operations in the consolidated statement of income. Cumulative expenses of the 2012 restructuring through the end of fiscal year 2013 are $23.3 million, of which $4.2 million represents excess facilities and other costs and $19.1 million represents employee severance and related benefits. We do not expect to incur additional material costs for the 2012 restructuring.

A summary of activity for the 2012 restructuring actions is as follows (in thousands):

| | Excess Facilities and Other Costs | Employee Severance and Related Benefits | Total |
|---|---|---|---|
| Balance, December 1, 2012 | $ 603 | $ 6,429 | $ 7,032 |
| Costs incurred | 1,545 | 2,752 | 4,297 |
| Cash disbursements | (1,423) | (8,941) | (10,364) |
| Asset impairment | (111) | — | (111) |
| Translation adjustments and other | 1 | 51 | 52 |
| Balance, November 30, 2013 | $ 615 | $ 291 | $ 906 |

Cash disbursements under the 2012 restructuring are expected to be made through fiscal year 2016. The short-term portion of the restructuring reserve of $0.7 million is included in other accrued liabilities and the long-term portion of $0.2 million is included in other noncurrent liabilities on the consolidated balance sheet at November 30, 2013.

**2010 Restructuring**

During the first and third quarters of fiscal year 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 acquisitions. We reduced our global workforce primarily within the development, sales and administrative organizations. This workforce reduction was conducted across all geographies and also resulted in a consolidation of offices in certain locations. The total costs of the fiscal year 2010 restructurings primarily relate to employee severance and excess facilities expenses. The excess facilities and other costs represent facilities costs for unused space and termination costs for automobile leases of employees included in the workforce reduction.

As part of the 2010 restructuring activities, we recorded cumulative expenses totaling $43.3 million, of which $8.0 million represented excess facilities and other costs and $35.3 million represented employee severances and related benefits. We did not incur any expenses related to the 2010 restructuring in fiscal year 2013 and there are no remaining cash disbursements due as of November 30, 2013.

A summary of activity for the 2010 restructuring actions is as follows (in thousands):

| | Excess Facilities and Other Costs | Employee Severance and Related Benefits | Total |
|---|---|---|---|
| Balance, December 1, 2012 | $ — | $ 275 | $ 275 |
| Costs incurred | — | — | — |
| Cash disbursements | — | (275) | (275) |
| Translation adjustments and other | — | — | — |
| Balance, November 30, 2013 | $ — | $ — | $ — |

**Note 15: Income Taxes**

The components of income from continuing operations before income taxes are as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| U.S. | $ 54,495 | $ 49,818 | $ 91,689 |
| Foreign | 8,288 | 18,167 | 16,504 |
| Total | $ 62,783 | $ 67,985 | $ 108,193 |

The provision for income taxes from continuing operations is comprised of the following (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Current: | | | |
| Federal | $ 7,639 | $ 11,171 | $ 22,139 |
| State | 1,583 | 1,270 | 2,175 |
| Foreign | 2,165 | 5,970 | 5,131 |
| Total current | 11,387 | 18,411 | 29,445 |
| Deferred: | | | |
| Federal | 9,622 | 5,257 | 6,507 |
| State | 329 | 55 | 296 |
| Foreign | 1,668 | (692) | 556 |
| Total deferred | 11,619 | 4,620 | 7,359 |
| Total | $ 23,006 | $ 23,031 | $ 36,804 |

A reconciliation of the U.S. Federal statutory rate to the effective tax rate from continuing operations is as follows:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Tax at U.S. Federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| Foreign rate differences | 0.8 | (1.0) | 0.9 |
| State income taxes, net | 2.1 | 0.9 | 1.6 |
| Research credits | (1.5) | — | (1.3) |
| Domestic production activities deduction | (2.1) | (2.2) | (2.0) |
| Tax-exempt interest | (0.2) | (0.3) | (0.2) |
| Nondeductible stock-based compensation | 2.3 | 3.0 | 1.5 |
| Other | 0.2 | (1.5) | (1.5) |
| Total | 36.6 % | 33.9 % | 34.0 % |

The components of deferred tax assets and liabilities are as follows (in thousands):

| | November 30, 2013 | November 30, 2012 |
|---|---|---|
| Deferred tax assets: | | |
| Accounts receivable | $ 739 | $ 768 |
| Other current assets | 779 | 786 |
| Capitalized research costs | — | 231 |
| Accrued compensation | 3,901 | 4,657 |
| Accrued liabilities and other | 7,302 | 10,527 |
| Deferred revenue | — | 129 |
| Stock-based compensation | 4,222 | 8,122 |
| Depreciation and amortization | 6,724 | 5,533 |
| Tax credit and loss carryforwards | 34,460 | 39,216 |
| Gross deferred tax assets | 58,127 | 69,969 |
| Valuation allowance | (12,949) | (14,316) |
| Total deferred tax assets | 45,178 | 55,653 |
| Deferred tax liabilities: | | |
| Goodwill | (14,860) | (13,819) |
| Deferred revenue | (1,585) | — |
| Total deferred tax liabilities | (16,445) | (13,819) |
| Total | $ 28,733 | $ 41,834 |

The valuation allowance primarily applies to net operating loss carryforwards and unutilized tax credits in jurisdictions or under conditions where realization is not assured. The $1.4 million decrease in the valuation allowance during fiscal year 2013 primarily relates to the partial release of valuation allowances on foreign net operating losses, which will be utilized to offset certain gains on our dispositions that are reflected in our discontinued operations, partially offset by an increase related to the creation of net operating loss carryforwards. The short-term portion of deferred tax liabilities of $0.2 million is included in other current liabilities on the consolidated balance sheet at November 30, 2013.

At November 30, 2013, we have net operating loss carryforwards of $70.2 million expiring on various dates through 2032 and $13.3 million that may be carried forward indefinitely. At November 30, 2013, we have tax credit carryforwards of approximately $9.5 million expiring on various dates through 2031 and $1.0 million that may be carried forward indefinitely.

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. The cumulative undistributed foreign earnings were approximately $32.9 million at November 30, 2013. The estimated unrecognized deferred tax liability for temporary differences related to these earnings at November 30, 2013 is $0.8 million.

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

A reconciliation of the balance of our unrecognized tax benefits is as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Balance, beginning of year | $ 2,192 | $ 2,631 | $ 2,294 |
| Tax positions related to current year | 189 | 79 | 445 |
| Settlements with tax authorities | (1,176) | — | — |
| Tax positions acquired | — | — | — |
| Lapses due to expiration of the statute of limitations | (183) | (518) | (108) |
| Balance, end of year | $ 1,022 | $ 2,192 | $ 2,631 |

We recognize interest and penalties related to uncertain tax positions as a component of our provision for income taxes. In fiscal years 2013 and 2012 there was no estimated interest and penalties recorded in the provision for income taxes. In fiscal year 2011 there was $0.1 million of estimated interest and penalties in the provision for income taxes. We have accrued $0.2 million and $0.3 million of estimated interest and penalties at November 30, 2013 and 2012, respectively. We do not expect any significant changes to the amount of unrecognized tax benefits in the next twelve months.

The Internal Revenue Service finalized its examination of our U.S. Federal income tax returns for fiscal years 2009 and 2010 during the second quarter of fiscal year 2013. In the first quarter of fiscal year 2013, we had effectively settled certain unrecognized tax benefits which had been reserved in previous periods, reducing our unrecognized tax benefits liability by $1.2 million.

Our Federal income tax returns have been examined or are closed by statute for all years prior to fiscal year 2011, 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 year 2007. Our state income tax returns have been examined or are closed by statute for all years prior to fiscal year 2005, and we are no longer subject to audit for those periods.

Tax authorities for certain non-U.S. jurisdictions are also examining returns affecting unrecognized tax benefits, none of which are material to our condensed consolidated balance sheets, cash flows or statements of income. With some exceptions, we are generally no longer subject to tax examinations in non-U.S. jurisdictions for years prior to fiscal year 2008.

**Note 16: Earnings Per Share**

We compute basic earnings per share using the weighted average number of common shares outstanding. We compute diluted earnings per share using the weighted average number of common shares outstanding plus the effect of outstanding dilutive stock options, restricted stock units and deferred stock units, using the treasury stock method. The following table sets forth the calculation of basic and diluted earnings per share from continuing operations (in thousands, expect per share data):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Income from continuing operations | $ 39,777 | $ 44,954 | $ 71,389 |
| Weighted average shares outstanding | 54,516 | 62,881 | 65,705 |
| Dilutive impact from common stock equivalents | 863 | 860 | 1,835 |
| Diluted weighted average shares outstanding | 55,379 | 63,741 | 67,540 |
| Basic earnings per share from continuing operations | $ 0.73 | $ 0.71 | $ 1.09 |
| Diluted earnings per share from continuing operations | $ 0.72 | $ 0.71 | $ 1.06 |

We excluded stock awards representing approximately 744,000 shares, 4,115,000 shares, and 2,208,000 shares of common stock from the calculation of diluted earnings per share in the fiscal years ended November 30, 2013, 2012 and 2011, respectively, because these awards were anti-dilutive.

**Note 17: Business Segments and International Operations**

Operating segments, as defined under GAAP, are components of an enterprise that engage in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and assess performance. Our chief operating decision maker is our Chief Executive Officer.

In the third quarter of fiscal year 2012, as part of the Plan, we changed the structure of our internal organization and the way we managed our business. As a result of the change, our internal reporting was organized into the following segments, each of which met the criteria of a reportable segment: (1) the Core segment, which included the OpenEdge, DataDirect Connect and Decision Analytics (comprised of Apama, Corticon and the Progress Control Tower) product lines; and (2) the non-Core segment, which included the Actional, Artix, DataXtend, FuseSource, ObjectStore, Orbacus, Orbix, Savvion, Shadow and Sonic product lines. Since the non-Core segment ceased to exist during the first quarter of fiscal year 2013, after the closing of all of these divestitures, we now operate as one reportable segment. In addition, the revenues and direct expenses of the product lines divested are including in discontinued operations in our consolidated statements of income, including prior period amounts which have been revised to reflect the presentation.

The revenue and direct expenses for the Apama product line, which was divested in July 2013, are also included in discontinued operations in our consolidated statements of income, including prior period amounts which have been revised to reflect the presentation.

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

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| Software licenses | $ 122,312 | $ 106,626 | $ 109,966 |
| Maintenance | 202,857 | 202,691 | 211,300 |
| Professional services | 8,827 | 8,295 | 12,344 |
| Total | $ 333,996 | $ 317,612 | $ 333,610 |

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

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2013 | November 30, 2012 | November 30, 2011 |
| United States | $ 140,020 | $ 127,841 | $ 131,007 |
| Canada | 14,259 | 14,818 | 11,207 |
| EMEA | 133,600 | 125,566 | 140,033 |
| Latin America | 25,370 | 28,335 | 31,039 |
| Asia Pacific | 20,747 | 21,052 | 20,324 |
| Total | $ 333,996 | $ 317,612 | $ 333,610 |

No country outside of the U.S. accounted for more than 10% of our consolidated revenue in any year presented, except for revenue from the United Kingdom for fiscal year 2011, which totaled $33.5 million. Long-lived assets totaled $53.6 million, $57.9 million and $59.6 million in the U.S. and $3.4 million, $5.2 million and $6.6 million outside of the U.S. at the end of fiscal years 2013, 2012 and 2011, respectively. No individual country outside of the U.S. accounted for more than 10% of our consolidated long-lived assets.

**Note 18: Selected Quarterly Financial Data (unaudited)**

| *(in thousands, except per share data)* | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Fiscal year 2013: | | | | |
| Revenue | $ 83,733 | $ 81,705 | $ 77,578 | $ 90,980 |
| Gross profit | 73,854 | 73,216 | 69,059 | 82,885 |
| Income from operations | 15,793 | 14,386 | 9,661 | 23,900 |
| Income from continuing operations | 9,813 | 8,142 | 7,204 | 14,618 |
| Net income (loss) | 31,118 | 3,910 | 24,843 | 15,036 |
| Basic earnings per share from continuing operations | 0.17 | 0.15 | 0.13 | 0.28 |
| Diluted earnings per share from continuing operations | 0.17 | 0.15 | 0.13 | 0.28 |
| Fiscal year 2012: | | | | |
| Revenue | $ 82,471 | $ 74,128 | $ 74,371 | $ 86,642 |
| Gross profit | 73,917 | 65,518 | 64,883 | 76,980 |
| Income from operations | 25,041 | 12,800 | 11,289 | 18,659 |
| Income from continuing operations | 15,861 | 8,855 | 7,744 | 12,494 |
| Net income | 7,489 | (1,908) | 5,838 | 36,025 |
| Basic earnings per share from continuing operations | 0.26 | 0.14 | 0.12 | 0.20 |
| Diluted earnings per share from continuing operations | 0.25 | 0.14 | 0.12 | 0.20 |

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

None.

**Item 9A. Controls and Procedures**

**(a) Evaluation of disclosure controls and procedures**

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

Our management, including the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed in the reports filed or submitted by us under the Securities Exchange Act of 1934 was recorded, processed, summarized and reported within the requisite time periods and that such information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of November 30, 2013. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (1992). Based on our assessment we believe that as of November 30, 2013, our internal control over financial reporting is effective based on those criteria.

Deloitte & Touche LLP, our independent registered public accounting firm, which audited our consolidated financial statements, has issued an attestation report on our internal control over financial reporting, which is included in this Item 9A below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Based on this definition, management previously reported a material weakness in the Company's internal control over financial reporting for the period ending November 30, 2012. We determined that we had not designed and implemented the controls necessary to ensure that all terms and conditions being agreed to by our sales personnel with our customers and partners were properly documented within our contractual arrangements with such customers and partners, resulting in improper recognition of revenue. Specifically, our sales organizations in our Asia Pacific and Central EMEA regions did not take sufficient steps to ensure that all details of agreements with our customers and partners were provided to those individuals making revenue recognition decisions. We determined that as a result of this deficiency, the timing of revenue recognized was improper on certain transactions that were immaterial to our financial statements.

As disclosed in our Annual Report on Form 10-K for the year ended November 30, 2012 and our Quarterly Reports on Form 10-Q for the quarters ended February 28, 2013, May 31, 2013 and August 31, 2013, we implemented changes in our internal control over financial reporting in accordance with our remediation plan. These changes included the following:

- The termination of employment of various sales representatives and a former regional sales director determined to be in violation of our revenue recognition policy and code of conduct;

- The enhancement of communications from senior management, including the Chief Executive Officer, Senior Vice President of Global Field Operations and General Counsel and Chief Compliance Officer, regarding inappropriate business arrangements;
- The expansion of our existing sales employee certification process to include all Global Field Operations personnel, revenue operations personnel and commercial legal support personnel;
- Additional revenue recognition and compliance training to sales employees;
- The expansion of our existing quarterly pyramid certification process to include all direct reports of the CEO staff;
- Additional code of conduct training and certification procedures;
- The enhancement of processes with respect to the assessment of existing customer and partner credit worthiness;
- The enhancement of communications from senior management to our partners and resellers regarding our revenue recognition requirements; and
- The implementation of deal specific certifications over a predetermined threshold.

We believe these changes have strengthened our internal control over financial reporting and remediated the material weakness we previously identified.

**(c) Changes in internal control over financial reporting**

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated our “internal control over financial reporting” as defined in Exchange Act Rule 13a-15(f) to determine whether any changes in our internal control over financial reporting occurred during the fiscal quarter ended November 30, 2013 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there were no changes in our internal control over financial reporting during the fiscal quarter ended November 30, 2013 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

**(d) Report of independent registered public accounting firm**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the internal control over financial reporting of Progress Software Corporation and subsidiaries (the "Company") as of November 30, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2013, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended November 30, 2013, of the Company and our report dated January 29, 2014 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding discontinued operations.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts
January 29, 2014

**Item 9B. Other Information**

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 with respect to our directors and executive officers, including the qualifications of the members of the Audit Committee of our Board of Directors, may be found in the sections captioned, "Proposal 1—Election of Directors," "Committees of the Board," "Certain Relationships" and "Section 16(a) Beneficial Ownership Reporting Compliance" appearing in our definitive Proxy Statement for the 2014 Annual Meeting of Shareholders. This information is incorporated herein by reference.

### Executive and Other Key Officers of the Registrant

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

| Name | Age | Position |
|---|---|---|
| Joseph A. Andrews | 57 | Senior Vice President, Human Resources |
| Antonio J. Aquilina | 46 | Senior Vice President, Strategy and Corporate Development |
| Michael Benedict | 41 | Vice President, Pacific Cloud Platform and OpenEdge Product Line |
| David A. Benson | 54 | Executive Vice President and Chief Information Officer |
| Stephen H. Faberman | 44 | Senior Vice President, General Counsel |
| John P. Goodson | 49 | Senior Vice President, Chief Product Officer |
| Karen Padir | 45 | Senior Vice President, Chief Technology Officer |
| Philip M. Pead | 61 | President and Chief Executive Officer |
| Chris E. Perkins | 51 | Senior Vice President, Finance and Administration and Chief Financial Officer |
| Jennifer Smith | 38 | Senior Vice President, Chief Marketing Officer |
| Andy Zupsic | 51 | Senior Vice President, Global Field Operations |

Mr. Andrews became Senior Vice President, Human Resources in April 2010. Prior to that time, Mr. Andrews was Vice President, Human Resources, a position he held since he joined us in February 1997.

Mr. Aquilina became Senior Vice President, Strategy and Corporate Development in January 2012. Prior to that time, from February 2011 until January 2012, Mr. Aquilina was Vice President of Corporate Development at Autodesk, Inc., where he was employed beginning in 2005. From 2005 until February 2011, Mr. Aquilina was Director of Business Development within the Architecture, Engineering and Construction Services Division at Autodesk, Inc.

Mr. Benedict became Vice President, Pacific Cloud Platform and OpenEdge Product Line in June 2013. Prior to that time, Mr. Benedict was Vice President, Data Connectivity Business Line Leader since May 2012. From March 2011 to May 2012, Mr. Benedict was Vice President of Product Management. Prior to that time, since joining Progress upon the acquisition of DataDirect in 2003, Mr. Benedict held several Senior Director and Director positions in the Products and Sales organizations.

Mr. Benson became Executive Vice President and Chief Information Officer in April 2010. Mr. Benson joined us in June 2009 as Senior Vice President and Chief Information Officer. Prior to joining us, Mr. Benson served as Senior Vice President, Chief Information Officer for News Corporation, a diversified media and entertainment company, from May 2003 to August 2008.

Mr. Faberman became Vice President, General Counsel in December 2012 and became a Senior Vice President in January 2014. Prior to that time, from October 2012 to December 2012, Mr. Faberman was Vice President, Acting General Counsel, and from January 2012 to October 2012, Mr. Faberman was Vice President, Deputy General Counsel. Mr. Faberman joined us in May 2008 as Associate General Counsel and was promoted to Deputy General Counsel in September 2010.

Mr. Goodson became Chief Product Officer in June 2013. Prior to that time, Mr. Goodson was Senior Vice President, Product Engineering since May 2012. From October 2010 to May 2012, Mr. Goodson was Senior Vice President, Products and acted as our Interim Chief Product Officer since October 2010. Prior to that time, from June 2010 until October 2010, Mr. Goodson was Senior Vice President and General Manager, Enterprise Data Solutions and Enterprise Business Solutions. In April 2009, Mr. Goodson became a Senior Vice President. Mr. Goodson had been a Vice President and General Manager, DataDirect Technologies Division since December 2007.

Ms. Padir became Chief Technology Officer in June 2013. Prior to that time, Ms. Padir was Senior Vice President, Application Development Business Line Leader upon her joining Progress in September 2012. Prior to joining us, from March 2010 to September 2012, Ms. Padir was Executive Vice President, Products and Engineering at EnterpriseDB. From October 2005 to February 2010, Ms. Padir was Vice President, Engineering at Sun Microsystems.

Mr. Pead became President and Chief Executive Officer in December 2012. Prior to that time, from November 2012 to December 2012, Mr. Pead was Executive Chairman and Interim Chief Executive Officer. Prior to that time, from May 2012 until November 2012, Mr. Pead served as non-Executive Chairman of the Board. Mr. Pead joined our Board of Directors in July 2011. Mr. Pead was formerly the Chairman of the Board of Directors of Allscripts Heath Solutions, which merged with Eclipsys Corporation in August 2010, where Mr. Pead was the President and Chief Executive Officer. From March 2007 to May 2009, Mr. Pead served as the Managing Partner of Beacon Point Partners LLC.

Mr. Perkins became Senior Vice President, Finance and Administration and Chief Financial Officer in February 2013. Prior to that time, Mr. Perkins was a member of the Board of Directors of Immucor, Inc. from August 2008 until August 2011, when it was acquired by an affiliate of TPG Capital, L.P. From July 2009 through August 2010, Mr. Perkins was Executive Vice President and Chief Financial Officer of Eclipsys Corporation.

Ms. Smith became Vice President, Chief Marketing Officer in January 2013 and became a Senior Vice President in January 2014. Prior to that time, from April 2012 to January 2013, Ms. Smith was Vice President, Corporate Marketing, and from January 2010 to April 2012, Ms. Smith was Vice President, Worldwide Field Marketing. Prior to that time, Ms. Smith held several Director positions in the marketing organization since joining Progress in October 2007.

Mr. Zupsic became Senior Vice President, Global Field Operations in April 2012. Prior to joining us, from September 2009 to April 2012, Mr. Zupsic was Senior Vice President of Americas Enterprise Sales at Juniper Networks, Inc. From July 2007 to September 2009, Mr. Zupsic was Vice President, Sales, Marketing and Services, Latin America, at Microsoft.

**Board of Directors**

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

Barry N. Bycoff
Former Executive Chairman
Progress Software Corporation

John R. Egan
Non-Executive Chairman
Managing Partner
Egan-Managed Capital

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

Charles F. Kane
Strategic Advisor and Director
One Laptop per Child

David A. Krall
Former President and Chief Executive Officer
Avid Technology, Inc.

Michael L. Mark
Director
Progress Software Corporation

Philip M. Pead
President and Chief Executive Officer
Progress Software Corporation

**Code of Conduct**

We have adopted a Code of Conduct that applies to all employees and directors. A copy of the Code of Conduct is publicly available on our website at www.progress.com. If we make any substantive amendments to the Code of Conduct or grant any waiver, including any implicit waiver, from the Code of Conduct to our executive officers or directors, we will disclose the nature of such amendment or waiver in a Current Report on Form 8-K.

**Item 11. Executive Compensation**

The information required by this Item 11 with respect to director and executive compensation may be found under the headings captioned “Director Compensation,” “Compensation Discussion and Analysis” and “Executive Compensation” in our definitive Proxy Statement for the 2014 Annual Meeting of Shareholders. This information is incorporated herein by reference.

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

The information required by this Item 12 with respect to security ownership and our equity compensation plans may be found under the headings captioned “Information About Progress Software Common Stock Ownership” and “Equity Compensation Plan Information” in our definitive Proxy Statement for the 2014 Annual Meeting of Shareholders. This information is incorporated herein by reference.

Information related to securities authorized for issuance under equity compensation plans as of November 30, 2013 is as follows (in thousands, except per share data):

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | Weighted-average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available For Future Issuance |
|---|---|---|---|
| Equity compensation plans approved by shareholders (1) | 2,656 (2) | $ 19.59 | 10,633 (3) |
| Equity compensation plans not approved by shareholders (4) | 450 | 23.29 | 1,381 |
| Total | 3,106 | $ 20.43 | 12,014 |

(1) Consists of the 1992 Incentive and Nonqualified Stock Option Plan, 1994 Stock Incentive Plan, 1997 Stock Incentive Plan, 2008 Stock Option and Incentive Plan and 1991 Employee Stock Purchase Plan (ESPP).
(2) Includes 1,117,000 restricted stock units under our 2008 Plan. Does not include purchase rights accruing under the ESPP because the purchase price (and therefore the number of shares to be purchased) will not be determined until the end of the purchase period.
(3) Includes 930,000 shares available for future issuance under the ESPP.
(4) Consists of the 2002 Nonqualified Stock Plan and the 2004 Inducement Plan described below.

We have adopted two equity compensation plans, the 2002 Nonqualified Stock Plan (2002 Plan) and the 2004 Inducement Stock Plan (2004 Plan), for which the approval of shareholders was not required. We intend that the 2004 Plan be reserved for persons to whom we may issue securities as an inducement to become employed by us pursuant to the rules and regulations of NASDAQ. Executive officers and members of the Board of Directors are not eligible for awards under the 2002 Plan. An executive officer would be eligible to receive an award under the 2004 Plan only as an inducement to join us. Awards under the 2002 Plan and the 2004 Plan may include nonqualified stock options, grants of conditioned stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. A total of 11,250,000 shares are issuable under the two plans, of which, 1,380,931 shares are available for future issuance.

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

The information required by this Item 13 may be found under the headings “Independence,” “Review of Transactions with Related Persons” and “Transactions with Related Persons” in our definitive Proxy Statement for the 2014 Annual Meeting of Shareholders. This information is incorporated herein by reference.

**Item 14. Principal Accounting Fees and Services**

The information required by this Item 14 may be found under the heading “Information About Our Independent Registered Public Accounting Firm” in our definitive Proxy Statement for the 2014 Annual Meeting of Shareholders. This information is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

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

1. Financial Statements (included in Item 8 of this Annual Report on Form 10-K):

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of November 30, 2013 and 2012
- Consolidated Statements of Income for the years ended November 30, 2013, 2012 and 2011
- Consolidated Statements of Comprehensive Income for the years ended November 30, 2013, 2012 and 2011
- Consolidated Statements of Shareholders’ Equity for the years ended November 30, 2013, 2012 and 2011
- Consolidated Statements of Cash Flows for the years ended November 30, 2013, 2012 and 2011
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules

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

**(b) Exhibits**

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

| | |
|---|---|
| 3.1 | Restated Articles of Organization, as amended (1) |
| 3.2 | By-Laws, as amended and restated |
| 4.1 | Specimen certificate for the Common Stock (2) |
| 10.1* | 1992 Incentive and Nonqualified Stock Option Plan (3) |
| 10.2* | 1994 Stock Incentive Plan (4) |
| 10.3* | 1997 Stock Incentive Plan, as amended and restated (5) |
| 10.4* | Employee Retention and Motivation Agreement as amended and restated, executed by each of the Executive Officers (other than the Chief Executive Officer) |
| 10.5* | 2002 Nonqualified Stock Plan, as amended and restated (6) |
| 10.6* | 2004 Inducement Stock Plan, as amended and restated (7) |
| 10.7* | Progress Software Corporation 1991 Employee Stock Purchase Plan, as amended and restated (8) |
| 10.8* | Progress Software Corporation 2008 Stock Option and Incentive Plan, as amended and restated (9) |
| 10.9* | Form of Notice of Grant of Stock Options and Grant Agreement under the Progress Software Corporation 2008 Stock Option and Incentive Plan |
| 10.10* | Progress Software Corporation Corporate Executive Bonus Plan (10) |
| 10.11* | Progress Software Corporation 2014 Fiscal Year Non-Employee Directors Compensation Program |
| 10.12* | Form of Deferred Stock Unit Agreement under the Progress Software Corporation 2008 Stock Option and Incentive Plan |

| | |
|---|---|
| 10.13* | Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the Progress Software Corporation 2008 Stock Option and Incentive Plan (Initial Grant) |
| 10.14* | Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the Progress Software Corporation 2008 Stock Option and Incentive Plan (Annual Grant) |
| 10.15* | Form of Restricted Stock Unit Agreement under the Progress Software Corporation 2008 Stock Option and Incentive Plan (11) |
| 10.16* | Employment Agreement, dated as of December 5, 2011, by and between Progress Software Corporation and Jay H. Bhatt (12) |
| 10.17* | Employee Retention and Motivation Agreement, dated as of December 5, 2011, by and between Progress Software Corporation and Jay H. Bhatt (13) |
| 10.18* | Credit Agreement, dated as of August 15, 2011, by and among Progress Software Corporation, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A. and RBS Citizens, N.A., as Syndication Agents, and J.P. Morgan Securities LLC, as Sole Bookrunner and Sole Lead Arranger (14) |
| 10.19* | Separation Agreement, dated March 22, 2012, between Progress Software Corporation and Charles F. Wagner, Jr. (15) |
| 10.20* | Employment Agreement, dated July 10, 2012, by and between Progress Software Corporation and Melissa H. Cruz (16) |
| 10.21* | Employment Agreement, dated December 7, 2012, by and between Progress Software Corporation and Philip M. Pead (17) |
| 10.22* | Employee Retention and Motivation Agreement, dated as of December 7, 2012, by and between Progress Software Corporation and Philip M. Pead (18) |
| 10.23* | Employment Agreement, dated January 1, 2013, by and between Progress Software Corporation and Chris E. Perkins (19) |
| 21.1 | List of Subsidiaries of the Registrant |
| 23.1 | Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm |
| 31.1 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Philip M. Pead |
| 31.2 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Chris E. Perkins |
| 32.1 | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101** | The following materials from Progress Software Corporation’s Annual Report on Form 10-K for the year ended November 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of November 30, 2013 and 2012, (ii) Consolidated Statements of Income for the years ended November 30, 2013, 2012 and 2011, (iii) Consolidated Statements of Comprehensive Income for the years ended November 30, 2013, 2012 and 2011, (iv) Consolidated Statements of Shareholders’ Equity for the years ended November 30, 2013, 2012 and 2011, and (v) Consolidated Statements of Cash Flows for the years ended November 30, 2013, 2012 and 2011. |

(1) Incorporated by reference to Exhibit 3.1 of our Annual Report on Form 10-K for the year ended November 30, 2011.
(2) Incorporated by reference to Exhibit 4.1 of our Annual Report on Form 10-K for the year ended November 30, 2011.
(3) Incorporated by reference to Exhibit 10.1 of our Annual Report on Form 10-K for the year ended November 30, 2009.
(4) Incorporated by reference to Exhibit 10.2 of our Annual Report on Form 10-K for the year ended November 30, 2009
(5) Incorporated by reference to Exhibit 10.3 of our Annual Report on Form 10-K for the year ended November 30, 2012.
(6) Incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarter ended February 28, 2010.
(7) Incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the quarter ended February 28, 2010.
(8) Incorporated by reference to Annex B to our definitive Proxy Statement filed April 20, 2012.
(9) Incorporated by reference to Annex A to our definitive Proxy Statement filed May 7, 2013.
(10) Incorporated by reference to Exhibit 10.10 of our Annual Report on Form 10-K for the year ended November 30, 2012
(11) Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended August 30, 2009.
(12) Incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 28, 2011.
(13) Incorporated by reference to Exhibit 10.2 to Form 8-K filed on November 28, 2011.
(14) Incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 18, 2011.
(15) Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended February 29, 2012.
(16) Incorporated by reference to Exhibit 10.1 to Form 8-K filed on July 20, 2012.
(17) Incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 13, 2012.
(18) Incorporate by reference to Exhibit 10.2 to Form 8-K filed on December 13, 2012
(19) Incorporated by reference to Exhibit 10.1 to Form 8-K filed on January 8, 2013.

* Management contract or compensatory plan or arrangement in which an executive officer or director of Progress Software Corporation participates.

** Pursuant to Rule 406T of Regulations S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

**(c) Financial Statement Schedules**

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

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 29th day of January, 2014.

PROGRESS SOFTWARE CORPORATION

By: /s/ PHILIP M. PEAD
Philip M. Pead
President and Chief Executive Officer

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

| Signature | Title | Date |
|---|---|---|
| /s/ PHILIP M. PEAD<br>Philip M. Pead | President and Chief Executive Officer<br>(Principal Executive Officer) | January 29, 2014 |
| /s/ CHRIS E. PERKINS<br>Chris E. Perkins | Senior Vice President, Finance and Administration and Chief Financial Officer<br>(Principal Financial Officer) | January 29, 2014 |
| /s/ PAUL A. JALBERT<br>Paul A. Jalbert | Vice President, Corporate Controller and Chief Accounting Officer<br>(Principal Accounting Officer) | January 29, 2014 |
| /s/ BARRY N. BYCOFF<br>Barry N. Bycoff | Director | January 29, 2014 |
| /s/ JOHN R. EGAN<br>John R. Egan | Non-Executive Chairman | January 29, 2014 |
| /s/ RAM GUPTA<br>Ram Gupta | Director | January 29, 2014 |
| /s/ CHARLES F. KANE<br>Charles F. Kane | Director | January 29, 2014 |
| /s/ DAVID A. KRALL<br>David A. Krall | Director | January 29, 2014 |
| /s/ MICHAEL L. MARK<br>Michael L. Mark | Director | January 29, 2014 |

AMENDED AND RESTATED
BYLAWS
of
PROGRESS SOFTWARE CORPORATION

ARTICLE I — ARTICLES OF ORGANIZATION

The name and purposes of the Corporation shall be as set forth in the Articles of Organization. These Bylaws, the powers of the Corporation and its Directors and Shareholders, and all matters concerning the conduct and regulation of the business of the Corporation, shall be subject to such provisions in regard thereto, if any, as are set forth in the Articles of Organization. All references in these Bylaws to the Articles of Organization shall be construed to mean the Articles of Organization of the Corporation as from time to time amended or restated.

ARTICLE II — FISCAL YEAR

Except as from time to time otherwise determined by the Directors, the fiscal year of the Corporation shall in each year end on the date specified in the Articles of Organization.

ARTICLE III — MEETINGS OF SHAREHOLDERS

Section 3.1 Annual Meetings.

The annual meeting of Shareholders shall be held each year on the date and at the time and place within or without the United States as shall be fixed by the Board of Directors or the Chairman of the Board of Directors or the President. The purposes for which the annual meeting is to be held, in addition to those prescribed by law, by the Articles of Organization or by these Bylaws, may be specified by the Board of Directors or the Chairman of the Board of Directors or the President and shall be specified in the notice of the meeting. In the event the time for an annual meeting is not fixed in accordance with these Bylaws to be held within 13 months after the last annual meeting was held, the Board of Directors may designate a special meeting held thereafter as a special meeting in lieu of the annual meeting, and such special meeting shall have, for purposes of these Bylaws or otherwise, all the force and effect of an annual meeting. Any and all references hereafter in these Bylaws to an annual meeting or annual meetings shall be deemed to refer also to any special meeting(s) in lieu thereof.

Section 3.2 Special Meetings.

(a) Subject to the rights of the holders of any class or series of preferred stock of the Corporation, special meetings of the Shareholders entitled to vote may be called by the Board of Directors or the Chairman of the Board of Directors or the President.

(b) If the Corporation shall not have a class of voting stock registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), special meetings of the Shareholders entitled to vote shall be called by the Secretary, or in case of the death, absence, incapacity or refusal of the Secretary, by any other officer, upon written application of the holders of at least ten percent (10%) of all the votes entitled to be cast on any issue to be considered at the proposed meeting.

(c) If the Corporation shall have a class of voting stock registered under the Exchange Act, special meetings of the Shareholders entitled to vote shall be called by the Secretary, or in case of the death, absence, incapacity or refusal of the Secretary, by any other officer, upon written application of one or more Shareholders who hold at least (i) eighty percent (80%) in interest of the capital stock of the Corporation entitled to vote at such meeting, or (ii) such lesser percentage, if any, (but not less than forty percent (40%)) as shall be determined to be the maximum percentage which the Corporation is permitted by applicable law to establish for the call of such meeting.

(d) Only business within the purpose or purposes described in the meeting notice may be conducted at a special meeting.

Section 3.3 Place of Meetings.

All meetings of the Shareholders shall be held at the principal office of the Corporation in Massachusetts, unless a different place within Massachusetts or, if permitted by the Articles of Organization, elsewhere within the United States as is designated by the President or by a majority of the Directors acting by resolution or by written instrument or instruments signed by them. Any adjourned session of any meeting of the Shareholders shall be held at such place within Massachusetts or, if permitted by the Articles of Organization, elsewhere within the United States as is designated in the vote of adjournment.

Section 3.4 Notice of Meetings.

A written notice of the place, date and hour of all meetings of Shareholders (other than adjournments governed by Section 3.6 of this Article III) stating the purposes of the meeting shall be given at least seven days and not more than 60 days before the meeting to each Shareholder entitled to vote thereat and to each Shareholder who is otherwise entitled by law, the Articles of Organization or these Bylaws to such notice. Notice may be given to a Shareholder by any means permitted under applicable law, including, without limitation, by leaving such notice with him or at his residence or usual place of business, or by mailing it, postage prepaid, and addressed to such Shareholder at his address as it appears in the records of the Corporation. Such notice shall be given by the Secretary, or in case of the death, absence, incapacity, or refusal of the Secretary, by any other officer or by a person designated either by the Secretary, by the person or persons calling the meeting or by the Board of Directors. If notice is given by mail, such notice shall be deemed given when dispatched. If notice is not given by mail and is given by leaving such notice at the Shareholder’s residence or usual place of business, it shall be deemed given when so left. Without limiting the generality of the foregoing, notice may be given to a Shareholder by electronic transmission in a manner specified by the Shareholder, including, without limitation, by facsimile transmission, electronic mail or posting on an electronic network. Notwithstanding the foregoing, in case of any special meeting called upon the written demands of Shareholders, such meeting shall be scheduled not less than 60 nor more than 90 days after the date on which the Secretary has received sufficient demands to require that such meeting be called and written notice thereof shall be given in accordance with this Section 3.4 within 30 days of receipt of such demands.

Notice of an annual or special meeting of Shareholders need not be given to a Shareholder if a written waiver of notice is signed before or after such meeting by such Shareholder or such Shareholder's authorized attorney, if communication with such Shareholder is unlawful, or if such Shareholder attends such meeting unless (i) the Shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting or (ii) the Shareholder objects to the consideration of a particular matter at the meeting as not within the purpose or purposes described in the meeting notice when the matter is presented. Neither the business to be transacted at, nor the purpose of, any annual meeting or special meeting of Shareholders need be specified in any written waiver of notice.

Section 3.5 Notice of Shareholder Business and Nominations.

(a) Annual Meetings of Shareholders.

(i) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of other business to be considered by the Shareholders may be made at an annual meeting of Shareholders (A) by or at the direction of the Board of Directors or (B) by any Shareholder of the Corporation who was a Shareholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at the meeting, who is present at the meeting and who complies with the notice procedures set forth in this Bylaw as to such nomination or business. For the avoidance of doubt, for a Shareholder to bring nominations or business before an annual meeting of Shareholders (other than matters properly brought under Rule 14a-8 (or any successor rule) under the Exchange Act), such Shareholder must comply with the procedures set forth in this Section 3.5 and this shall be the exclusive means for a Shareholder to bring such nominations or business properly before an annual meeting of Shareholders. In addition to the other requirements set forth in this Bylaw, for any proposal of business to be considered at an annual meeting, such proposal must be a proper subject for action by Shareholders of the Corporation under Massachusetts law.

(ii) For nominations or other business to be properly brought before an annual meeting of Shareholders by a Shareholder pursuant to clause (B) of paragraph (a)(i) of this Bylaw, in addition to other applicable requirements, the Shareholder must (1) have given Timely Notice (as defined below) thereof in writing to the Secretary of the Corporation and (2) have provided any updates or supplements to such notice at the times and in the forms required by this Bylaw. To be timely, a Shareholder's notice under this paragraph (a)(ii) shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days before or delayed by more than 60 days after such anniversary date, notice by the Shareholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made (such notice within such time periods shall be referred to as "Timely Notice"). Such Shareholder's Timely Notice shall set forth:

(A) as to each person whom the Shareholder proposes to nominate for election or reelection as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected);

(B) as to any other business that the Shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, any material interest in such business of such Shareholder and the beneficial owner(s), if any, on whose behalf the proposal is made, and the names and addresses of other Shareholders (including beneficial owners) known by the Shareholder proposing such business to support such proposal, and the class and number of shares of the Corporation's capital stock beneficially owned by such other Shareholder(s) or other beneficial owner(s); and

(C) as to the Shareholder giving the notice and the beneficial owner(s), if any, on whose behalf the nomination or proposal is made: (i) the name and address of such Shareholder, as they appear on the Corporation's books, and of such beneficial owner(s); (ii) (a) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such Shareholder and any such beneficial owner(s), (b) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Shareholder and/or any such beneficial owner(s) the purpose or effect of which is to give such Shareholder and/or any such beneficial owner(s) economic benefit and/or risk similar to ownership of shares of any class or series of the Corporation, in whole or in part, including due to the fact that such derivative, swap or other transaction provides, directly or indirectly, the opportunity to profit or avoid a loss from any increase or decrease in the value of shares of any class or series of the Corporation ("Synthetic Equity Interests") and such disclosure shall identify the counterparty to each such Synthetic Equity Interest and shall include, for each such Synthetic Equity Interest, whether or not (x) such Synthetic Equity Interest conveys any voting rights, directly or indirectly, in such shares to such Shareholder and/or any such beneficial owner(s), (y) such Synthetic Equity Interest is required to be, or is capable of being, settled through delivery of such shares and (z) such Shareholder, any such beneficial owner(s) and/or, to their knowledge, the counterparty to such Synthetic Equity Interest has entered into other transactions that hedge or mitigate the economic effect of such Synthetic Equity Interest, (c) any proxy (other than a revocable proxy given in response to a public proxy solicitation made pursuant to, and in accordance with, the Exchange Act), agreement, arrangement, understanding or relationship pursuant to which such Shareholder and/or any such beneficial owner(s) has or shares a right to vote any shares of any class or series of the Corporation, (d) any agreement, arrangement, understanding or relationship (which disclosure shall identify the counterparty thereto), including any hedge, repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Shareholder and/or any such beneficial owner(s), the purpose or effect of which is to mitigate loss to, reduce the economic risk of shares of any class or series of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Shareholder and/or any such beneficial owner(s) with respect to the shares of any class or series of the Corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the value of the shares of any class or series of the Corporation ("Short Interests"), (e) any rights to dividends or other distributions on the shares of any class or series of the Corporation owned beneficially by such Shareholder and/or any such beneficial owner(s) that are separated or separable from the underlying shares of the Corporation, (f) any performance-related fees (other than an asset based fee) that such Shareholder and/or any such beneficial owner(s) is entitled to based on any increase or decrease in the value of shares of any class or series of the Corporation, any Synthetic Equity Interests or Short Interests, if any (the disclosures to be made pursuant to the foregoing clauses (a) through (f) are referred to as "Material Ownership Interests"); and (iii) a description of all arrangements or understanding among such Shareholder and/or any such beneficial owner(s) and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made.

(iii) A Shareholder providing Timely Notice of nominations or business proposed to be brought before an annual meeting of Shareholders shall further update and supplement such notice, if necessary, so that the information (including, without limitation, the Material Ownership Interests information) provided or required to be provided in such notice pursuant to this Bylaw shall be true and correct as of the record date for the meeting and as of the date that is 10 business days prior to such annual meeting, and such update and supplement shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 5th business day after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than the close of business on the 8th business day prior to the date for the meeting (in the case of the update and supplement required to be made as of 10 business days prior to the meeting).

(iv) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this Bylaw to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least 85 days prior to the first anniversary of the preceding year's annual meeting, a Shareholder's notice required by this paragraph (a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) <u>General</u>.

(i) Only such persons who are nominated in accordance with the provisions of this Bylaw shall be eligible for election and to serve as Directors and only such business shall be conducted at an annual meeting of Shareholders as shall have been brought before the meeting in accordance with the provisions of this Bylaw. The Board of Directors or a designated committee thereof shall have the power to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the provisions of this Bylaw. If neither the Board of Directors nor such designated committee makes a determination as to whether any Shareholder proposal or nomination was made in accordance with the provisions of this Bylaw, the presiding officer of the annual meeting shall have the power and duty to determine whether the Shareholder proposal or nomination was made in accordance with the provisions of this Bylaw. If the Board of Directors or a designated committee thereof or the presiding officer, as applicable, determines that any Shareholder proposal or nomination was not made in accordance with the provisions of this Bylaw, such proposal or nomination shall be disregarded and shall not be presented for action at the annual meeting.

(ii) Except as otherwise required by law, nothing contained in this Section 3.5 shall obligate the Corporation or the Board of Directors to include in any proxy statement or other shareholder communication distributed on behalf of the Corporation or the Board of Directors information with respect to any nominee for Director submitted by a Shareholder.

(iii) Notwithstanding the foregoing provisions of this Section 3.5, if the Shareholder (or a qualified representative of the Shareholder) does not appear at the annual meeting to present a nomination or any business, such nomination or business shall be disregarded, notwithstanding the proxies in respect of such vote may have been received by the Corporation. For purposes of this paragraph (iii), to be considered a qualified representative of the Shareholder, a person must be authorized by a written instrument executed by such Shareholder or an electronic transmission delivered by such Shareholder to act for such Shareholder as proxy at the meeting of Shareholders and such person must produce such written instrument or electronic transmission, or a reliable reproduction of the written instrument or electronic transmission, at the meeting of Shareholders.

(iv) For purposes of this Bylaw, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(v) Notwithstanding the foregoing provisions of this Bylaw, a Shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights of (i) Shareholders to have proposals included in the Corporation’s proxy statement pursuant to Rule 14a-8 (or any successor rule) under the Exchange Act and, to the extent required by such rule, have such proposals considered and voted on at an annual meeting of Shareholders or (ii) the holders of any series of undesignated preferred stock to elect Directors under specified circumstances.

Section 3.6 Rescheduling of Meetings; Adjournments.

Notwithstanding any other provision in these Bylaws, the Board of Directors may change the date, time and location of any annual or special meeting of the Shareholders (other than a special meeting called upon the written application of Shareholders (a “Meeting Requested by Shareholders”)), and a record date with respect thereto, prior to the time for such meeting, including, without limitation, by postponing or deferring the date of any such annual or special meeting (other than a Meeting Requested by Shareholders) previously called or by canceling any special meeting previously called (other than a Meeting Requested by Shareholders). This action may be taken regardless of whether any notice or public disclosure with respect to any such meeting or record date has been sent or made pursuant to Section 3.4 of this Article III hereof or otherwise. In no event shall the public announcement of an adjournment, postponement or rescheduling of any previously scheduled annual meeting of Shareholders commence a new time period for the giving of a Shareholder’s notice under Section 3.5 of Article III of these Bylaws.

When any meeting is convened, the presiding officer may adjourn the meeting if (a) no quorum is present for the transaction of business, (b) the Board of Directors determines that adjournment is necessary or appropriate to enable the Shareholders to consider fully information which the Board of Directors determines has not been made sufficiently or timely available to Shareholders, or (c) the Board of Directors determines in its sole discretion that adjournment is otherwise in the best interests of the Corporation. When any annual meeting or special meeting of Shareholders is adjourned to another date, time or place, notice need not be given of the adjourned meeting other than an announcement at the meeting at which the adjournment is taken of the date, time and place to which the meeting is adjourned; provided, however, that if a new record date for the adjourned meeting is fixed, notice of the adjourned meeting shall be given under this Article III to persons who are Shareholders as of the new record date.

A meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, whether or not a quorum is present. Any business which could have been transacted at any meeting of the Shareholders as originally called may be transacted at any adjournment thereof.

Section 3.7 Quorum.

(a) Unless otherwise provided by law, or in the Articles of Organization, these Bylaws or a resolution of the Directors requiring satisfaction of a greater quorum requirement for any voting group, a majority of the votes entitled to be cast on the matter by a voting group constitutes a quorum of that voting group for action on that matter. As used in these Bylaws, a “voting group” includes all shares of one or more classes or series that, under the Articles of Organization or the Massachusetts Business Corporation Act, as in effect from time to time (or any successor statute) (the “MBCA”), are entitled to vote and to be counted together collectively on a matter at a meeting of Shareholders. Shares owned by the Corporation in a fiduciary capacity shall be deemed outstanding for quorum purposes.

(b) Both abstentions and broker non-votes are to be counted as present for the purpose of determining the existence of a quorum for the transaction of business at any meeting. A share once represented for any purpose at the meeting is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless (i) the Shareholder attends solely to object to lack of notice, defective notice or the conduct of the meeting on other grounds and does not vote the shares or otherwise consent that they are to be deemed present, or (ii) in the case of adjournment, a new record date is or shall be set for the adjournment meeting.

Section 3.8 Voting and Proxies.

Both abstentions and broker non-votes are to be counted as present for the purpose of determining the existence of a quorum for the transaction of business at any meeting. However, for purposes of determining the number of shares voting on a particular proposal, abstentions and broker non-votes are not to be counted as votes cast or shares voting. Unless otherwise provided by law or by the Articles of Organization, each Shareholder shall have, with respect to each matter voted upon at a meeting of Shareholders, one vote for each share of stock entitled to vote owned by such Shareholder of record according to the books of the Corporation. A Shareholder may vote his or her shares either in person or may appoint a proxy to vote or otherwise act for him or her by signing an appointment form, either personally or by his or her attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer or agent authorized to tabulate votes. Unless otherwise provided in the appointment form, an appointment is valid for a period of 11 months from the date the Shareholder signed the form or, if undated, from the date of its receipt by such officer or agent. Any Shareholder's proxy may be transmitted by facsimile or other electronic means in a manner complying with applicable law. Except as otherwise permitted by law or limited therein, proxies shall entitle the persons authorized thereby to vote at any adjournment of such meeting but shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by one of them if the person signing appears to be acting on behalf of all the co-owners unless at or prior to exercise of the proxy, the Corporation receives a specific written notice to the contrary from any one of them. Subject to the provisions of Section 7.24 of the MBCA (or any successor provision thereof) and to any express limitation on the proxy's authority provided in the appointment form, the Corporation is entitled to accept the proxy's vote or other action as that of the Shareholder making the appointment. A proxy purporting to be executed by or on behalf of a Shareholder shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger.

Unless otherwise provided in the Articles of Organization, if authorized by the Board of Directors, subject to such guidelines and procedures as the Board of Directors may adopt, Shareholders and proxyholders not physically present at a meeting of Shareholders may, by means of remote communications: (i) participate in a meeting of Shareholders; and (ii) be deemed present in person and vote at a meeting of Shareholders, provided that: (a) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a Shareholder or proxyholder; (b) the Corporation shall implement reasonable measures to provide such Shareholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the Shareholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings; and (c) if any Shareholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

Section 3.9 Action at Meeting. If a quorum of a voting group exists, favorable action on a matter, other than election of Directors, is taken by a voting group if the votes cast within the group favoring the action exceed the votes cast opposing the action, unless a greater number of affirmative votes is required by the MBCA, the Articles of Organization, these Bylaws or a resolution of the Board of Directors requiring receipt of a greater affirmative vote of the Shareholders, including one or more separate voting groups. Unless otherwise provided in the Articles of Organization or these Bylaws, Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. No ballot shall be required for any election unless requested by a Shareholder present or represented at the meeting and entitled to vote in the election. Absent special circumstances, shares of the Corporation's stock are not entitled to vote if they are owned, directly or indirectly, by the Corporation or by another entity of which the Corporation owns, directly or indirectly, a majority of the voting interests. Notwithstanding the preceding sentence, however, the Corporation may vote any share of stock held by it, directly or indirectly, in a fiduciary capacity.

Section 3.10 Action without Meeting. Any action required or permitted to be taken at any annual or special meeting of Shareholders (including any actions or powers reserved to the Shareholders under these Bylaws) may be taken without a meeting, provided that all Shareholders entitled to vote on the matter consent to the action in writing and the written consents describe the action taken, are signed by all such Shareholders, bear the date of the signatures of such Shareholders, and are delivered to the Corporation for inclusion with the records of the meetings of Shareholders within 60 days of the earliest dated consent required to be delivered under this Section. Such consents shall be treated for all purposes as a vote at a meeting.

Section 3.11 Form of Shareholder Action.

(a) Any vote, consent, waiver, proxy appointment or other action by a Shareholder or by the proxy or other agent of any Shareholder shall be considered given in writing, dated and signed, if, in lieu of any other means permitted by law, it consists of an electronic transmission that is permitted under applicable law, including, without limitation, an electronic transmission that sets forth or is delivered with information from which the Corporation can determine (i) that the electronic transmission was transmitted by the Shareholder, proxy or agent or by a person authorized to act for the Shareholder, proxy or agent and (ii) the date on which such Shareholder, proxy, agent or authorized person transmitted the electronic transmission. The date on which the electronic transmission is transmitted shall be considered to be the date on which it was signed. The electronic transmission shall be considered received by the Corporation if it has been sent to any address specified by the Corporation for the purpose or, if no address has been specified, to the principal office of the Corporation, addressed to the Secretary or other officer or agent having custody of the records of proceedings of Shareholders, or is otherwise received by the Corporation in a manner permitted by applicable law.

(b) Any copy, facsimile or other reliable reproduction of a vote, consent, waiver, proxy appointment or other action by a Shareholder or by the proxy or other agent of any Shareholder may be substituted or used in lieu of the original writing for any purpose for which the original writing could be used, but the copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

Section 3.12 Shareholders List for Meeting.

(a) After fixing a record date for a meeting of Shareholders, the Corporation shall prepare an alphabetical list of the names of all its Shareholders who are entitled to notice of the meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares, and shall show the address of and number of shares held by each Shareholder, but need not include an electronic mail address or other electronic contact information for any Shareholder.

(b) The Shareholders list shall be available for inspection by any Shareholder, beginning two business days after notice is given of the meeting for which the list was prepared and continuing through the meeting: (1) at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held; or (2) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting.

(c) The Corporation shall make the Shareholders list available at the meeting, and any Shareholder or his or her agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment.

Section 3.13 Conduct of Business.

The Chairman of the Board of Directors or his designee, or, if there is no Chairman of the Board or such designee, then the President or his designee, or, if the office of President shall be vacant, then a person appointed by a majority of the Board of Directors, shall preside at any meeting of Shareholders as the chairman of the meeting. In addition to his powers pursuant to Section 3.5(b)(i), the person presiding at any meeting of Shareholders shall determine the order of business and the procedures at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order.

Section 3.14 Voting Procedures and Inspectors of Elections. In advance of any meeting of Shareholders, the Board of Directors may appoint one or more inspectors to act at an annual or special meeting of Shareholders and make a written report thereon. Any inspector may, but need not, be an officer, employee or agent of the Corporation. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector(s) shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspector(s) may appoint or retain other persons or entities to assist the inspector(s) in the performance of their duties. The presiding officer may review all determinations made by the inspector(s), and in so doing the presiding officer shall be entitled to exercise his or her sole judgment and discretion and he or she shall not be bound by any determinations made by the inspector(s). All determinations by the inspector(s) and, if applicable, presiding officer, shall be subject to further review by the Board of Directors and any court of competent jurisdiction.

## ARTICLE IV — DIRECTORS

Section 4.1 Powers.

The business of the Corporation shall be managed by a Board of Directors who shall have and may exercise (or grant authority to be exercised) all the powers of the Corporation except as otherwise reserved to the Shareholders by law, by the Articles of Organization or by these Bylaws. Without limiting the generality of the foregoing, the Board of Directors shall have the power, unless otherwise provided by law, to purchase and to lease, pledge, mortgage and sell all property of the Corporation (including to issue or sell the authorized but unissued stock of the Corporation and to determine, subject to applicable requirements of law, the consideration for which stock is to be issued and the manner of allocating such consideration between capital and surplus) and to make such contracts and agreements as they deem advantageous, to fix the price to be paid for or in connection with any property or rights purchased, sold, or otherwise dealt with by the Corporation, to borrow money, issue bonds, notes and other obligations of the Corporation, and to secure payment thereof by mortgage or pledge of all or any part of the property of the Corporation. The Board of Directors may determine the compensation of Directors. The Board of Directors or such officer or committee as the Board of Directors may designate, may determine the compensation and duties, in addition to those prescribed by these Bylaws, of all officers, agents and employees of the Corporation.

Section 4.2 Enumeration, Election and Term of Office.

The number of Directors of the Corporation shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board of Directors. The Directors shall hold office in the manner provided in the Articles of Organization. No Director need be a Shareholder of the Corporation or a resident of The Commonwealth of Massachusetts.

Section 4.3 Vacancies. The Board of Directors may act notwithstanding a vacancy or vacancies in its membership. Except as otherwise required by applicable law, any and all vacancies in the Board of Directors, however occurring including, without limitation, by reason of an increase in size of the Board of Directors, or the death, resignation, disqualification or removal of a Director, shall be filled solely and exclusively by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum. A vacancy that will occur at a specific later date may be filled before the vacancy occurs but the new Director may not take office until the vacancy occurs.

Section 4.4 Regular Meetings.

Regular meetings of the Board of Directors may be held at such times and places within or without the Commonwealth of Massachusetts as the Board of Directors may fix from time to time and, when so fixed, no notice thereof need by given, provided that any Director who is absent when such times and places are fixed shall be given notice of the fixing of such times and places. The first meeting of the Board of Directors following the annual meeting of the Shareholders may be held without notice immediately after and at the same place as the annual meeting of the Shareholders or the special meeting held in lieu thereof. If in any year a meeting of the Board of Directors is not held at such time and place, any action to be taken may be taken at any later meeting of the Board of Directors with the same force and effect as if held or transacted at such meeting.

Section 4.5 Special Meetings.

Special meetings of the Directors may be held at any time and at any place designated in the call of the meeting (which may be oral or in writing), when called by the President or the Treasurer or by one or more Directors, reasonable notice thereof being given to each Director by the Secretary or an Assistant Secretary, or by the officer or one of the Directors calling the meeting.

Section 4.6 Notice.

Notice of the time, date and place of all special meetings of the Board of Directors shall be given to each Director by the Secretary or Assistant Secretary, or in case of the death, absence, incapacity or refusal of such persons, by the officer or one of the Directors calling the meeting. Notice shall be given to each Director in person or by telephone, voice mail, telegraph, teletype or other electronic means or by facsimile sent to his business or home address, at least 24 hours in advance of the meeting, or by written notice mailed to his or her business or home address at least 48 hours in advance of the meeting. Written notice, other than notice by electronic, telephone or similar means, is effective upon deposit in the United States mail, postage prepaid, and addressed to the Director's address shown in the Corporation's records. Notice need not be given to any Director who waives notice. A Director may waive any notice before or after the date and time of the meeting. The waiver shall be in writing, signed by the Director entitled to the notice, or in the form of an electronic transmission by the Director to the Corporation, and filed with the minutes or corporate records. A Director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the Director at the beginning of the meeting, or promptly upon his or her arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 4.7 Quorum, Action at a Meeting.

At any meeting of the Directors, a quorum for any election or for the consideration of any question shall consist of a majority of the Directors then in office, but a smaller number may constitute a quorum pursuant to Section 8.53 or Section 8.55 of the MBCA in making a determination that indemnification or advancement of expenses is permissible in a specific proceeding. Whether or not a quorum is present any meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, and the meeting may be held as adjourned without further notice. When a quorum is present at any meeting, the votes of a majority of the Directors present shall be requisite and sufficient for appointment to any office and shall decide any question brought before such meeting, except in any case where a larger vote is required by law, by the Articles of Organization or by these Bylaws.

Section 4.8 Action by Consent.

Unless the Articles of Organization otherwise provide, any action required or permitted to be taken by the Directors at any meeting of the Board of Directors may be taken without a meeting if the action is taken by the unanimous consent of the members of the Board of Directors. The action must be evidenced by one or more consents describing the action taken, in writing, signed by each Director, or delivered to the Corporation by electronic transmission to the address specified by the Corporation for the purpose or, if no address has been specified, to the principal office of the Corporation, addressed to the Secretary or other officer or agent having custody of the records of proceedings of Directors, and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this Section is effective when the last Director signs or delivers the consent, unless the consent specifies a different effective date. A consent signed or delivered under this Section has the effect of a meeting vote and may be described as such in any document.

Section 4.9 Committees.

The Board of Directors, by resolution of a majority of the Directors then in office, may elect from its number an Executive Committee or other committees, composed of such number of its members as it may from time to time determine (but in any event not less than two), and may delegate thereto some or all of its powers except those which by law, by the Articles of Organization, or by these Bylaws may not be delegated. Except as the Board of Directors may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the Board of Directors or in such rules, its business shall be conducted so far as possible in the same manner as is provided by these Bylaws for the Board of Directors. All members of such committees shall hold such offices at the pleasure of the Board of Directors. The Board of Directors may abolish any such committee at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep records of its meetings and shall upon request report its action to the Board of Directors. The Board of Directors shall have power to rescind any action of any committee, but no such rescission shall have retroactive effect.

Section 4.10 Meetings Held With Communications Equipment.

The Board of Directors or any committee thereof may participate in a meeting of such Board of Directors or committee thereof by means of a conference telephone (or similar communications equipment) call, by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at a meeting.

## ARTICLE V — OFFICERS AND AGENTS

Section 5.1 Enumeration: Qualification.

The officers of the Corporation shall be a President, a Treasurer, a Secretary, and such other officers, if any, as the incorporators at their initial meeting, or the Directors from time to time, may in their discretion appoint. The Corporation may also have such agents, if any, as the incorporators at their initial meeting, or the Directors from time to time, may in their discretion appoint. None of the officers of the Corporation need be a resident of Massachusetts; provided, however, that the Secretary shall be a resident of Massachusetts unless the Corporation has a resident agent appointed for the purpose of service of process. Any two or more offices may be held by the same person. Any officer may be required by the Directors to give bond for the faithful performance of his duties to the Corporation in such amount and with such sureties as the Directors may determine. The premiums for such bonds may be paid by the Corporation.

Section 5.2 Appointment.

The President, the Treasurer and the Secretary shall be appointed annually by the Directors at their first meeting following the annual meeting of the Shareholders or special meeting in lieu thereof. Other officers, if any, may be appointed by the Board of Directors at said meeting or at any other time. Any such officer that is appointed by the Board of Directors shall be a "Board appointed officer." A Board appointed officer may appoint one or more officers or assistant officers if authorized by the Board of Directors. Each officer has the authority and shall perform the duties set forth in these Bylaws, the duties prescribed by the Board of Directors or by direction of an officer authorized by the Board of Directors to prescribe the duties of other officers. Subject to law, to the Articles of Organization, and to the other provisions of these Bylaws, each officer of the Corporation shall have in addition to the duties and powers specifically set forth in these Bylaws, such duties and powers as are customarily incident to his office, and such duties and powers as may be designated from time to time by the Board of Directors or by direction of an officer authorized by the Board of Directors to prescribe the duties of such other officer.

Section 5.3 Powers and Duties.

Subject to law, to the Articles of Organization and to the other provisions of these Bylaws, each officer shall have, in addition to the duties and powers herein set forth, such duties and powers as are commonly incident to his office and such duties and powers as the Directors may from time to time designate.

Section 5.4 Tenure.

Except as otherwise provided by law, by the Articles of Organization or by these Bylaws, the President, the Treasurer and the Secretary shall hold office until the first meeting of the Directors following the next annual meeting of the Shareholders or special meeting in lieu thereof and until their respective successors are appointed and qualified, and each other officer shall hold office until the first meeting of the Directors following the next annual meeting of the Shareholders and until their respective successors are appointed and qualified, unless a different period shall have been specified by the terms of his election or appointment, or in each case until he sooner dies, resigns, is removed, or becomes disqualified. Each agent shall retain his authority at the pleasure of the Directors.

Section 5.5 President and Vice President.

The President shall, subject to the direction of the Board of Directors, have general supervision and control of its business. Unless otherwise provided by the Board of Directors, he shall preside, when present, at all meetings of Shareholders and of the Board of Directors.

Any Vice President shall have such powers and shall perform such duties as the Board of Directors may from time to time designate.

Section 5.6 Treasurer and Assistant Treasurer.

The Treasurer shall, subject to the direction of the Board of Directors, have general charge of the financial affairs of the Corporation and shall cause to be kept accurate books of account. He shall have custody of all funds, securities and valuable documents of the Corporation, except as the Board of Directors may otherwise provide.

Any Assistant Treasurer shall have such powers and perform such duties as the Board of Directors may from time to time designate.

Section 5.7 Secretary and Assistant Secretaries.

The Secretary shall keep a record of the meetings of Shareholders and of the Board of Directors. In the absence of the Secretary from any meeting of Shareholders or the Board of Directors, an Assistant Secretary if one be elected, otherwise a Temporary Secretary designated by the person presiding at the meeting, shall perform the duties of the Secretary.

Section 5.8 Vacancies.

Any vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors. The Board of Directors shall appoint a successor if the office of President, Treasurer or Secretary becomes vacant and may appoint a successor if any other office becomes vacant.

## ARTICLE VI — RESIGNATIONS AND REMOVALS

Section 6.1 Resignations.

Any Director or officer may resign at any time by delivering his resignation in writing to the President or the Secretary or to a meeting of the Directors. Such resignation shall take effect at such time as is specified therein, or if no such time is so specified then upon delivery thereof.

Section 6.2 Removals.

(a) Subject to the rights of the holders of any series of Preferred Stock then outstanding, any Director, or the entire Board of Directors, may be removed from office at any time, but only either (a) for cause by the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the shares of the Corporation entitled to vote generally in the election of Directors, voting together as a single class, or (b) by the affirmative vote of at least three-fourths (3/4) of the Directors then serving, with or without the assignment of cause. A Director may be removed for cause only after a reasonable notice and opportunity to be heard before the body proposing to remove him. As used in this Section 6.2, "cause" shall mean only (i) conviction of a felony, (ii) declaration of unsound mind by order of court, (iii) gross dereliction of duty, (iv) commission of an action involving moral turpitude, or (v) commission of an action which constitutes intentional misconduct or a knowing violation of law if such action in either event results both in an improper substantial personal benefit and a material injury to the Corporation.

(b) The Directors may remove any officer from office with or without assignment of cause by vote of a majority of the Directors then in office. If cause is assigned for removal of any officer, such officer may be removed only after a reasonable notice and opportunity to be heard before the body proposing to remove him. The Directors may terminate or modify the authority of any agent or employee.

(c) Except as the Directors may otherwise determine, no Director or officer who resigns or is removed shall have any right to any compensation as such Director or officer for any period following his resignation or removal, or any right to damages on account of such removal whether his compensation be by the month or by the year or otherwise; provided, however, that the foregoing provision shall not prevent such Director or officer from obtaining damages from breach of any contract of employment legally binding upon the Corporation.

## ARTICLE VII — INDEMNIFICATION OF DIRECTORS AND OTHERS

Section 7.1 Right to Indemnification.

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise (hereinafter a "Proceeding"), by reason of the fact that he or she is or was (a) a Director of the Corporation, (b) an officer of the Corporation elected or appointed by the Shareholders or the Board of Directors, or (c) serving, at the request of the Corporation as evidenced by a resolution of the Board of Directors prior to the occurrence of the event to which the indemnification relates, as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (such persons described in (a), (b) and (c) are sometimes hereinafter referred to as an "Indemnitee"), whether the basis of such Proceeding is alleged action in an official capacity as such a Director or officer of the Corporation or as such other director, officer, employee or agent or in any other capacity while serving as such a Director or officer of the Corporation or as such other director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the MBCA, as the same exists or may hereafter be amended (but in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including, but not limited to, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith and such indemnification shall continue as to an Indemnitee who has ceased to be such a director, officer, employee or agent and shall inure to the benefit of the Indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 7.3 with respect to Proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized or ratified by the Board of Directors of the Corporation. The right to indemnification conferred in this Article VII shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any Proceeding in advance of its final disposition (hereinafter an "Advancement of Expenses"); provided, however, that, if the MBCA so requires, an Advancement of Expenses incurred by an Indemnitee shall be made only upon delivery to the Corporation of an undertaking made in accordance with the MBCA (hereinafter an "Undertaking"), by or on behalf of such Indemnitee, which shall include, without limitation, an undertaking to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "Final Adjudication") that such Indemnitee is not entitled to be indemnified for such expenses under this Article VII or otherwise.

Section 7.2 Indemnification of Employees and Agents of the Corporation.

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to an Advancement of Expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VII.

Section 7.3 Right of Indemnitee to Bring Suit.

If a claim under this Article VII is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, except in the case of a claim for an Advancement of Expenses, in which case the applicable period shall be 20 days, the Indemnitee may at any time hereafter bring suit against the Corporation to recover the unpaid amount of the claim. If the Indemnitee is successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. In any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an Advancement of Expenses) it shall be a defense that the Indemnitee has not met the applicable standard of conduct set forth in the MBCA. In addition, in any suit by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Corporation shall be entitled to recover such expenses upon a Final Adjudication that the Indemnitee has not met the applicable standard of conduct set forth in the MBCA. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or Shareholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the MBCA, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or Shareholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an Advancement of Expenses hereunder, or by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such Advancement of Expenses, under this Article VII or otherwise shall be on the Corporation.

Section 7.4 Non-Exclusivity of Rights.

The rights to indemnification and to Advancement of Expenses conferred in this Article VII shall not be exclusive of any other right which any person may have or hereafter acquire under these Bylaws, the Articles of Organization or any statute, agreement, vote of Shareholders or of disinterested Directors or otherwise.

Section 7.5 Insurance.

The Corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the Corporation or any director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the MBCA. The Corporation's obligation to provide indemnification under this Article VII shall be offset to the extent of any other source of indemnification or any otherwise applicable insurance coverage under a policy maintained by the Corporation or any other person.

Section 7.6 Amendments.

Without the consent of a person entitled to the indemnification and other rights provided in this Article VII (unless otherwise required by the MBCA), no amendment modifying or terminating such rights shall adversely affect such person's rights under this Article VII with respect to the period prior to such amendment.

Section 7.7 Savings Clause.

If this Article VII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any liabilities and expenses with respect to any proceeding to the fullest extent permitted by any applicable portion of this Article VII that shall not have been invalidated and to the fullest extent permitted by applicable law.

## ARTICLE VIII — CAPITAL STOCK

Section 8.1 Issue of Authorized Unissued Capital Stock; Consideration.

The Board of Directors may issue the number of shares of each class or series of stock authorized by the Articles of Organization. The Board of Directors may authorize shares to be issued for any valid consideration. Before the Corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for shares to be issued is adequate. That determination by the Board of Directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid, and nonassessable. The Board of Directors shall determine the terms upon which the rights, options, or warrants for the purchase of shares or other securities of the Corporation are issued by the Corporation and the terms, including the consideration, for which the shares or other securities are to be issued.

Section 8.2 Share Certificates.

If shares are represented by certificates, at a minimum each share certificate shall state on its face: (a) the name of the Corporation and that it is organized under the laws of The Commonwealth of Massachusetts; (b) the name of the person to whom issued; and (c) the number and class of shares and the designation of the series, if any, the certificate represents. If different classes of shares or different series within a class are authorized, then the variations in rights, preferences and limitations applicable to each class and series, and the authority of the Board of Directors to determine variations for any future class or series, must be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the Corporation will furnish the Shareholder this information on request in writing and without charge. Each share certificate shall be signed, either manually or in facsimile, by the President or a Vice President and by the Treasurer or an Assistant Treasurer, or any two officers designated by the Board of Directors, and shall bear the corporate seal or its facsimile. If the person who signed, either manually or in facsimile, a share certificate no longer holds office when the certificate is issued, the certificate shall be nevertheless valid.

Section 8.3 Uncertificated Shares.

The Board of Directors may authorize the issuance of some or all of the shares of any or all of the Corporation’s classes or series without certificates. The authorization shall not affect shares already represented by certificates until they are surrendered to the Corporation. Within a reasonable time after the issue or transfer of shares without certificates, the Corporation shall send the Shareholder a written statement of the information required by the MBCA to be on certificates.

Section 8.4 Record and Beneficial Owners.

Except as may be otherwise required by law, by the Articles of Organization or by these Bylaws, the Corporation shall be entitled to treat the record holder of stock as shown in the records of the Corporation (or, if the Board of Directors has established a procedure by which the beneficial owner of shares that are registered in the name of a nominee will be recognized by the Corporation as a Shareholder, the beneficial owner of shares to the extent provided in such procedure) as the owner of such stock for all purposes, including the payment of dividends and the right to receive notice and to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Bylaws.

Each Shareholder shall have the duty to notify the corporation of such Shareholder's post office address.

Section 8.5 Lost or Destroyed Certificates.

The Board of Directors of the Corporation may, subject to Massachusetts General Laws, Chapter 106, Section 8-405 (or any successor provision), determine the conditions upon which a new share certificate may be issued in place of any certificate alleged to have been lost, destroyed, or wrongfully taken. The Board of Directors may, in its discretion, require the owner of such share certificate, or his or her legal representative, to give a bond, sufficient in its opinion, with or without surety, to indemnify the Corporation against any loss or claim which may arise by reason of the issue of the new certificate.

Section 8.6` Transfers.

Subject to any restrictions on transfer, if any, stated or noted on the stock certificates, shares of stock may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment and power of attorney properly executed, with transfer stamps (if necessary) affixed, and with such proof of the authenticity of signature as the Corporation or its transfer agent may reasonably require.

Section 8.7 Record Date.

The Board of Directors may fix in advance a time, which, in the case of any meeting of Shareholders, shall be not more than 70 days before the date of such meeting, as the record date for determining the Shareholders having the right to notice of and to vote at such meeting and any adjournment thereof or the right to receive a dividend or distribution, and in such case only Shareholders of record on such record date shall have such right, notwithstanding any transfer of stock on the books of the Corporation after the record date. If a record date for a specific action is not fixed by the Board of Directors, and is not supplied by the section of the MBCA dealing with that action, the record date shall be the close of business either on the day before the first notice is sent to Shareholders, or, if no notice is sent, on the day before the meeting. If the Board of Directors does not fix the record date for determining Shareholders entitled to a distribution, other than one involving a purchase, redemption or other acquisition of the Corporation's shares, the record date shall be the date the Board of Directors authorizes the distribution. A determination of Shareholders entitled to notice of or to vote at a meeting of Shareholders is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

## ARTICLE IX — MISCELLANEOUS PROVISIONS

Section 9.1 Execution of Papers.

All deeds, leases, transfers, contracts, bonds, notes, releases, checks, drafts and other obligations authorized to be executed on behalf of the Corporation shall be signed by the President or the Treasurer except as the Directors may generally or in particular cases otherwise determine.

Section 9.2 Voting of Securities.

Except as the Directors may generally or in particular cases otherwise specify, the President or the Treasurer may on behalf of the Corporation vote or take any other action with respect to shares of stock or beneficial interest of any other corporation, or of any association, trust or firm, of which any securities are held by this Corporation, and may appoint any person or persons to act as proxy or attorney-in-fact for the Corporation, with or without power of substitution, at any meeting thereof.

Section 9.3 Corporate Seal.

The seal of the Corporation shall be a circular die with the name of the Corporation, the word “Massachusetts” and the year of its incorporation cut or engraved thereon, or shall be in such other form as the Board of Directors may from time to time determine.

Section 9.4 Corporate Records.

The original, or attested copies, of the Articles of Organization, Bylaws and records of all meetings of the incorporators and Shareholders, and the stock and transfer records, which shall contain the names of all Shareholders and the record address and the amount of stock held by each, shall be kept in Massachusetts at the principal office of the Corporation, or at an office of its transfer agent or of its Secretary or of its Resident Agent. Said copies and records need not all be kept in the same office.

Section 9.5 Evidence of Authority.

A certificate by the Secretary or an Assistant or temporary Secretary as to any matter relative to the Articles of Organization, Bylaws, records of the proceedings of the incorporators, Shareholders, Board of Directors, or any committee of the Board of Directors, or stock and transfer records or as to any action taken by any person or persons as an officer or agent of the Corporation, shall as to all persons who rely thereon in good faith be conclusive evidence of the matters so certified.

Section 9.6 Right to Repurchase.

Except as otherwise provided by law, the Articles of Organization or by these Bylaws (including any amendments thereto), the Corporation, through its Board of Directors, shall have the right and power to repurchase any of its outstanding shares at such price and upon such terms as may be agreed upon between the Corporation and the selling Shareholder(s), or the predecessor(s) in interest thereof.

Section 9.7 Dividends.

Unless otherwise required by the MBCA or the Articles of Organization, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, securities of the Corporation or other property.

Section 9.8 Ratification.

Any action taken on behalf of the Corporation by the Directors or any officer or representative of the Corporation which requires authorization by the Shareholders or the Directors of the Corporation shall be deemed to have been authorized if subsequently ratified by the Shareholders entitled to vote or by the Directors, as the case may be, at a meeting held in accordance with these Bylaws.

Section 9.9 Reliance upon Books, Records and Reports.

Each Director or officer of the Corporation shall be entitled to rely on information, opinions, reports or records, including financial statements, books of account and other financial records, in each case presented by or prepared by or under the supervision of (i) one or more officers or employees of the Corporation whom the Director or officer reasonably believes to be reliable and competent in the matters presented, or (ii) counsel, public accountants or other persons as to matters which the Director or officer reasonably believes to be within such person's professional or expert competence, or (iii) in the case of a Director, a duly constituted committee of the Board of Directors upon which he does not serve, as to matters within its delegated authority, which committee the Director reasonably believes to merit confidence, but he shall not be considered to be acting in good faith if he has knowledge concerning the matter in question that would cause such reliance to be unwarranted. The fact that a Director or officer so performed his duties shall be a complete defense to any claim asserted against him by reason of his being or having been a Director or officer of the Corporation, except as expressly provided by statute.

Section 9.10 Articles of Organization.

All references in these Bylaws to the Articles of Organization shall be deemed to refer to the Amended and Restated Articles of Organization of the Corporation, as amended and in effect from time to time.

Section 9.11 Control Share Acquisition.

Until such time as this section shall be repealed or these Bylaws shall be amended to provide otherwise, including, without limitation, during any time that the Corporation shall be an "issuing public Corporation" as defined in Chapter 110D of the Massachusetts General Laws, the provisions of Chapter 110D of the Massachusetts General Laws shall not apply to “control share acquisitions” of the Corporation within the meaning of said Chapter 110D.

## ARTICLE X — AMENDMENTS

Except as otherwise provided in the Articles of Organization, these Bylaws may be amended or repealed in whole or in part by the affirmative vote of the holders of a majority of the shares of each class of the capital stock at the time outstanding and entitled to vote at any annual or special meeting of Shareholders, provided that notice of the substance of the proposed amendment is stated in the notice of such meeting. If authorized by the Articles of Organization, the Directors may make, amend or repeal the Bylaws, in whole or in part, except with respect to any provision thereof which by law, the Articles of Organization or the Bylaws requires action by the Shareholders. Not later than the time of giving notice of the meeting of Shareholders next following the making, amending or repealing by the Directors of any Bylaw, notice thereof stating the substance of such change shall be given to all Shareholders entitled to vote on amending the Bylaws. Notwithstanding the foregoing and anything contained in these Bylaws to the contrary, Section 6.2(a) of these Bylaws may not be altered, amended or repealed, in whole or in part, by the Board of Directors unless approved by the affirmative vote of at least three-fourths (3/4) of the Directors then serving and this sentence of this Article X may not be altered, amended or repealed, in whole or in part, and no provision inconsistent therewith shall be adopted, by the Board of Directors unless approved by the affirmative vote of three-fourths (3/4) of the Directors then serving.

Any Bylaw adopted, amended or repealed by the Directors may be repealed, amended or reinstated by the Shareholders entitled to vote on amending the Bylaws.

Adopted September 16, 2008 and effective as of September 16, 2008.

# EMPLOYEE RETENTION AND MOTIVATION AGREEMENT
**(Amended and Restated as of May 31, 2013)**

This agreement (the "Agreement") is effective as of July __ , 2013 (the "Agreement Date") by and between [__________](the "Covered Person") and Progress Software Corporation, a Massachusetts corporation (the "Company").

**R E C I T A L S**

A. The Covered Person presently serves as an employee or officer of the Company in a role that is important to the continued conduct of the Company's business and operations.

B. The Board of Directors of the Company (the "Board") has determined that it is in the best interest of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Covered Person, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

C. The Covered Person and the Company are currently parties to an Employee Retention and Motivation Agreement (the "Existing ERMA") with an expiration date of [______] (the "Expiration Date") which provides the Covered Person with certain benefits following a Change of Control and certain severance benefits upon the Covered Person's termination of employment following a Change in Control.

D. The Company and the Covered Person have agreed to make certain changes to the Existing ERMA as set forth herein.

E. Certain capitalized terms used in this Agreement are defined in Section 4 below.

In consideration of the mutual covenants herein contained and in consideration of the continuing employment of the Covered Person by the Company, the parties agree as follows:

1. Term of Agreement. The Company and the Covered Person acknowledge that the Covered Person's employment is at will, as defined under applicable law, except as may otherwise be provided under the terms of any written employment agreement between the Company and the Covered Person that is signed on behalf of the Company now or hereafter in effect. If the Covered Person's employment terminates for any reason, the Covered Person shall not be entitled to any payments, benefits, damages, awards or compensation (collectively, "recompense") other than the maximum recompense as provided by one of the following: (i) this Agreement, or (ii) any written employment agreement then in effect between the Covered Person and the Company, or (iii) the Company's existing severance guidelines and benefit plans which are in effect at the time of termination, or (iv) applicable statutory provisions. The provisions of this Agreement shall expire on the Expiration Date; provided, however, that the term of this Agreement shall automatically renew for successive five-year periods unless the Company notifies the Covered Person in writing at least sixty days prior to the expiration of the then current term that the term of this Agreement shall not renew. Notwithstanding the foregoing, the provisions of this Agreement shall terminate upon the date that all obligations of

the parties hereunder have been satisfied. A termination of the provisions of this Agreement pursuant to the preceding sentences shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of termination of employment occurring prior to the termination of the provisions of this Agreement.

2. Benefits Immediately Following Change of Control

(a) Treatment of Outstanding Options and Restricted Equity Effective immediately upon a Change of Control, unless the outstanding stock options and shares of restricted equity held by the Covered Person under the Company's stock option plans on the date of the Change of Control are continued by the Company or assumed by its successor entity, all outstanding stock options held by the Covered Person shall accelerate and become fully exercisable, and all shares of restricted equity held by the Covered Person shall become nonforfeitable and all restrictions shall lapse. If such outstanding options and shares of restricted equity held by the Covered Person are continued by the Company or assumed by its successor entity, then vesting shall continue in its usual course.

(b) Payment of Management Bonus Effective immediately upon a Change of Control, the Covered Person's annual management bonus shall be fixed at the Covered Person's target bonus level as in effect immediately prior to the Change of Control and the Covered Person shall be paid a pro-rated portion of such bonus, as of the date of the Change of Control. Any payment to which the Covered Person is entitled pursuant to this section shall be paid in a lump sum within thirty (30) days of the event requiring such payment.

3. Severance Benefits

(a) Termination Following a Change of Control If the Covered Person's employment terminates after a Change of Control, then, subject to Section 5 below, the Covered Person shall be entitled to receive severance benefits as follows:

(i) Involuntary Termination If the Covered Person's employment is terminated within twelve (12) months following a Change of Control as a result of Involuntary Termination, then the Covered Person shall be entitled to receive a lump sum severance payment in an amount equal to fifteen (15) months of the Covered Person's annual Target Compensation; and in addition, for a period of fifteen (15) months after such termination, the Company shall be obligated to provide the Covered Person with benefits that are substantially equivalent to the Covered Person's benefits (medical, dental, vision and life insurance) that were in effect immediately prior to the Change of Control. In addition, each outstanding stock option held by the Covered Person which had been granted prior to the date of the Change of Control under the Company's stock option plans shall accelerate and become fully exercisable and all shares of restricted equity held by the Covered Person which had been granted prior to the date of the Change of Control under the Company's stock option plans shall become nonforfeitable and all restrictions shall lapse. Any severance payments to which the Covered Person is entitled pursuant to this section shall be paid in a lump sum within thirty (30) days of the effective date of the Covered Person's termination. For purposes of this Paragraph 3(a)(i), the term "Target

Compensation" shall mean the highest level of Target Compensation applicable to the Covered Person from the period of time immediately prior to the Change of Control through the effective date of the Covered Person's termination. With respect to any taxable income that the Covered Person is deemed to have received for federal income tax purposes by virtue of the Company providing continued employee benefits to the Covered Person, the Company shall make a cash payment to the Covered Person such that the net economic result to the Covered Person will be as if such benefits were provided on a tax-free basis to the same extent as would have been applicable had the Covered Person's employment not been terminated. Such cash payment shall be made no later than April 1 following each calendar year in which such benefits are taxable to the Covered Person.

Anything in this Agreement to the contrary notwithstanding, if at the time of the Covered Person's separation from service (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the Covered Person is considered a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, and if any payment that the Covered Person becomes entitled to under this Agreement is considered deferred compensation subject to interest and additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, then no such payment shall be payable prior to the date that is the earliest of (A) six months after the Covered Person's date of termination, (B) the Covered Person's death, or (C) such other date as will cause such payment not to be subject to such interest and additional tax. The parties agree that this Agreement may be amended, as reasonably requested by either party and as may be necessary to comply fully with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

(ii) Voluntary Resignation If the Covered Person's employment terminates by reason of the Covered Person's voluntary resignation (and is not an Involuntary Termination), then the Covered Person shall not be entitled to receive any severance payments or other benefits except for such benefits (if any) as may then be established under the Company's then existing severance guidelines and benefit plans at the time of such termination.

(iii) Disability; Death If the Company terminates the Covered Person's employment as a result of the Covered Person's Disability, or such Covered Person's employment is terminated due to the death of the Covered Person, then the Covered Person shall not be entitled to receive any severance payments or other benefits except for those (if any) as may then be established under the Company's then existing severance guidelines and benefit plans at the time of such Disability or death.

(iv) Termination for Cause If the Company terminates the Covered Person' employment for Cause, then the Covered Person shall not be entitled to receive any severance payments or other benefits following the date of such termination, and the Company shall have no obligation to provide for the continuation of any health and medical benefit or life insurance plans existing on the date of such termination, other than as required by law.

(b) Termination Other than in Connection with Change of Control If the Covered Person's employment is terminated for any reason either prior to the occurrence of a Change of Control or after the twelve (12) month period following a Change of Control, then the Covered Person shall be entitled to receive severance and any other benefits only as may then be established under the Company's existing severance guidelines and benefit plans at the time of such termination.

4. Definition of Terms The following terms referred to in this Agreement shall have the following meanings:

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

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities, whether by tender offer, or otherwise; or

(ii) A change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the Agreement Date, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the directors of the Company as of the Agreement Date, at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(iii) The consummation of a merger or consolidation of the Company with any other entity, other than 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) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately prior thereto representing less than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; but the Company is clearly the acquirer considering the totality of the circumstances, including such factors as whether the president of the Company will continue as president of the Company or the surviving entity, the majority of the directors of the Company or the surviving entity will be Incumbent Directors, substantially all of the executive officers of the Company will be retained, etc., all as determined immediately prior to the consummation of the merger or consolidation by the Incumbent Directors.

(iv) The liquidation of the Company; or the sale or disposition by the Company of all or substantially all of the Company's assets.

(b) Involuntary Termination "Involuntary Termination" shall mean (i) without the Covered Person's express written consent, the assignment to the Covered Person of any duties or the significant reduction of the Covered Person's duties, either of which is materially inconsistent with the Covered Person's position with the Company and responsibilities in effect immediately prior to such assignment, or the removal of the Covered Person from such position and responsibilities, which is not effected for Disability or for Cause; (ii) a material reduction by the Company in the base salary and/or bonus of the Covered Person as in effect immediately prior to such reduction; (iii) a material reduction by the Company in the kind or level of employee benefits to which the Covered Person is entitled immediately prior to such reduction with the result that the Covered Person's overall benefit package is significantly reduced; (iv) the relocation of the Covered Person to a facility or a location more than fifty (50) miles from the Covered Person's then present location, without the Covered Person's express written consent; (v) any purported termination of the Covered Person by the Company which is not effected for death or Disability or for Cause, or any purported termination for Cause for which the grounds relied upon are not valid; or (vi) the failure of the Company to obtain, on or before the Change of Control, the assumption of the terms of this Agreement by any successors contemplated in Section 7 below. An Involuntary Termination shall be effective upon written notice by the Covered Person.

(c) Cause "Cause" shall mean (i) any act of personal dishonesty taken by the Covered Person in connection with his or her responsibilities as an employee and intended to result in substantial personal enrichment of the Covered Person, (ii) the conviction of a felony, (iii) a willful act by the Covered Person which constitutes gross misconduct and which is injurious to the Company, and (iv) continued violations by the Covered Person of the Covered Person's obligations as an employee of the Company which are demonstrably willful and deliberate on the Covered Person's part after there has been delivered to the Covered Person a written demand for performance from the Company which describes the basis for the Company's belief that the Covered Person has not substantially performed his or her duties.

(d) Disability "Disability" shall mean that the Covered Person has been unable to perform his or her duties as an employee of the Company as the result of incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Covered Person or the Covered Person's legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least thirty (30) days' written notice by the Company of its intention to terminate the Covered Person's employment. In the event that the Covered Person resumes the performance of substantially all of his or her duties as an employee of the Company before termination of his or her employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

(e) Target Compensation "Target Compensation" shall mean the total of all fixed and variable cash compensation due a Covered Person based upon one hundred percent (100%) attainment of performance levels.

5. Limitation on Payments In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Covered Person (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) but for this Section 5, would be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then the Covered Person’s severance benefits under Section 3(a)(i) shall be either

(i) delivered in full, or

(ii) delivered as to such lesser extent which would result in no portion of such severance benefits subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by the Covered Person on an after tax basis, of the greatest amount of severance payments and benefits, notwithstanding that all or some portion of such severance payments and benefits may be taxable under Section 4999 of the Code. Unless the Company and the Covered Person otherwise agree in writing, any determination required under this Section 5 shall be made in writing in good faith by the accounting firm serving the Company’s independent public accountants immediately prior to the Change of Control (the “Accountants”) in good faith consultation with the Covered Person. In the event of a reduction in benefits hereunder, such benefits shall be reduced in the following order: (a) cash payments not subject to Section 409A of the Code; (b) cash payments subject to Section 409A of the Code; (c) equity compensation; and (d) non-cash forms of benefit. To the extent any payment is to be made over time, then the payment shall be reduced in reverse chronological order. . For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning the application taxes and may rely on reasonable good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Covered Person shall furnish to the Accountants such information and documents as the Accountants may reasonable request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 5.

6. Remedy If Covered Person’s benefits are reduced to avoid the Excise Tax pursuant to Section 5 hereof and notwithstanding such reduction, the IRS determines that the Covered Person is liable for the Excise Tax as a result of the receipt of severance benefits from the Company, then Covered Person shall be obligated to pay to the Company (the “Repayment Obligation”) an amount of money equal to the “Repayment Amount.” The Repayment Amount shall be the smallest such amount, if any, as shall be required to be paid to the Company so that the Covered Person’s net proceeds with respect to his or her severance benefits hereunder (after taking into account the payment of the Excise Tax imposed on such benefits) shall be maximized. Notwithstanding the foregoing, the Repayment Amount shall be zero if a Repayment Amount of more than zero would not eliminate the Excise Tax. If the Excise Tax is not eliminated through the performance of the Repayment Obligation, the Covered Person shall pay the Excise Tax. The Repayment Obligation shall be discharged within thirty (30) days of either (i) the Covered Person entering into a binding agreement with the IRS as to the amount of

Excise Tax liability, or (ii) a final determination by the IRS or a court decision requiring the Covered Person to pay the Excise Tax from which no appeal is available or is timely taken.

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

8. Notice

(a) General 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 Covered Person, 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.

(b) Notice of Termination by the Company Any termination by the Company of the Covered Person's employment with the Company at any time following a Change of Control shall be communicated by notice of termination to the Covered Person at least five (5) days prior to the date of such termination, given in accordance with Section 8(a) of this Agreement. Such notice shall specify the termination date and whether the termination is considered by the Company to be for Cause as defined in Section 4(c) in which case the Company shall identify the specific subsection(s) of Section 4(c) asserted by the Company as the basis for the termination and shall set forth in reasonable detail the facts and circumstances relied upon by the Company in categorizing the termination as for Cause.

(c) Notice by Covered Person of Involuntary Termination by the Company In the event the Covered Person determines that an Involuntary Termination has occurred at any time following a Change of Control, the Covered Person shall give written notice that such Involuntary Termination has occurred as set forth in this Section 8(c). Such notice shall be delivered by the Covered Person to the Company in accordance with Section 8(a) of this Agreement within ninety (90) days following the date on which such Involuntary Termination has occurred (or, if such Involuntary Termination occurred as a result of more than one event set forth in Section 4(b), within ninety (90) days following the earliest of such events), shall indicate the specific provision or provisions in this Agreement upon which the Covered Person relied to make such determination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such determination. The failure by the Covered Person to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination shall not waive any right of the Covered Person hereunder or preclude the Covered Person from asserting such fact or circumstance in enforcing his or her rights hereunder.

9. Miscellaneous Provisions

(a) No Duty to Mitigate The Covered Person 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 Covered Person 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 Covered Person and by an authorized officer of the Company (other than the Covered Person). 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 Covered Person 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 Covered Person 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 Covered Person 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 Subject to Section 5, 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 Covered Person.

(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.

**[Remainder of Page Intentionally Left Blank]**

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 | Covered Person |
| By: __ | By: __ |
| Authorized Officer | |

# NOTICE OF GRANT OF STOCK OPTIONS
# AND GRANT AGREEMENT

**Progress Software Corporation**
ID: 04-2746201
14 Oak Park
Bedford, Massachusetts 01730

**«Last_Name», «First_Name»**

**ISSUED PURSUANT TO THE 2008 STOCK OPTION AND INCENTIVE PLAN**

**«Grant_type»**
**Option Number: «Option»**
**Date of Option Grant: «option_Date»**
**Plan: «Plan»**
**Price of the Shares Granted: «total_price»**
**Total Number of Shares Granted: «num_shares»**
**Option Price per Share: «Price»**

You have the right to purchase the number of shares of Common Stock of Progress Software Corporation for the Price per Share on or before the Expiration Date («expire»), all as set forth above. The option is subject to the full terms and conditions attached hereto. This option shall become exercisable in accordance with the Vesting Schedule below.

VESTING SCHEDULE

NON-QUALIFIED STOCK OPTION AGREEMENT
UNDER THE PROGRESS SOFTWARE CORPORATION
2008 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:

No. of Option Shares:

Option Exercise Price per Share:

Grant Date:

Expiration Date:

Pursuant to the Progress Software Corporation 2008 Stock Option and Incentive Plan as amended through the date hereof (the “Plan”), Progress Software Corporation (the “Company”) hereby grants to the Optionee named above, who is an employee of the Company, an option (the “Stock Option”) to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock, par value $.01 per share, of the Company (the “Stock”) at the Option Exercise Price per share specified above subject to the terms and conditions set forth herein and in the Plan. This Stock Option is not intended to be an “incentive stock option” under Section 422 of the Internal Revenue Code of 1986, as amended.

1. Exercisability. This Stock Option shall be exercisable in fifty-four (54) equal monthly increments commencing on the first day of the month following the completion of six months of service by the Optionee with the Company.

2. Manner of Exercise.

(a) From time to time on or prior to the Expiration Date, the Optionee may give written notice to the Administrator or E*Trade of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

(b) Payment of the Option 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 Company; (ii) through the delivery of shares of Stock (or attestation to the ownership) that have been purchased by the Optionee on the open market or that have been beneficially owned by the Optionee for at least six months; (iii) a combination of (i) and (ii); or (iv) by the Optionee delivering to the Company a properly executed written or electronic exercise notice together with irrevocable instructions to E*Trade or other broker acceptable to the Company to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price.

(c) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination as Employee. If the Optionee ceases to be an employee of the Company, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below:

(a) Termination by Reason of Death. If the Optionee ceases to be an employee by reason of the Optionee's death, any portion of this Stock Option outstanding on such date may be exercised by his or her legal representative or legatee for a period of 24 months from the date of cessation of service as an employee or 10 days after the end of the blackout period in effect during such post-termination period, if later; provided, however, that this Stock Option shall nevertheless expire on the Expiration Date, if earlier.

(b) Termination by Reason of Cause. If the Optionee ceases to be an employee by reason of the Optionee's termination of service for Cause (as defined in the Plan), no portion of this Stock Option may be exercised after the last day of employment.

(c) Termination by Reason of Disability. If the Optionee ceases to be an employee by reason of the Optionee's Disability (as defined in the Plan), any portion of this Stock Option outstanding on such date, may be exercised by the Optionee for a period of 12 months from the date of cessation of services as an employee or 10 days after the end of the blackout period in effect during such post-termination period, if later; provided, however, that this Stock Option shall nevertheless expire on the Expiration Date, if earlier.

(d) Other Termination. If the Optionee ceases to be an employee for any reason other than the Optionee's death or termination for Cause or Disability, any portion of this Stock Option outstanding on such date may be exercised for a period of 90 days from the date of cessation of services as an employee or 10 days after the end of the blackout period in effect during such post-termination period, if later; provided, however, that this Stock Option shall nevertheless expire on the Expiration Date, if earlier.

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

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

laws of descent and distribution; provided, however, that with the consent of the Administrator, this Stock Option may be transferred, without payment of consideration, 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.

6. No Obligation to Continue as an Employee. Neither the Plan nor this Stock Option confers upon the Optionee any rights with respect to continuance as an employee of the Company.

7. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

PROGRESS SOFTWARE CORPORATION

By: __
Title: __

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

Dated: ______________________ __

Optionee's Signature

**PROGRESS SOFTWARE CORPORATION**
**2014 FISCAL YEAR COMPENSATION PROGRAM**
**FOR NON-EMPLOYEE DIRECTORS**

A. Amounts of 2014 Fiscal Year Compensation

- Annual Board Retainer (cash): $50,000

- Additional Annual Non-Executive Chairman Retainer (cash): $30,000

- Committee fees (cash):

  Audit Committee: $25,000 for Chair
  $20,000 for Members

  Nominating and Corporate Governance Committee: $12,500 for Chair
  $10,000 for Members

  Compensation Committee: $20,000 for Chair
  $15,000 for Members

Equity Component:

- $200,000 to be delivered in one installment (as set forth below under “Timing”), consisting of a combination of Options and Director Restricted Stock Units (“RSUs”). The split between Options and RSUs will be determined by each Director individually by written election made at least seven (7) calendar days in advance of the issuance of the Equity Component.

- The annual election will be expressed as a percentage of the total Equity Component (e.g., 50% in Options and 50% in RSUs) and may consist of all Options, all RSUs or any combination thereof. Such election will be irrevocable. If a Director fails to make a timely election, the Corporation will apply a 50/50 split between Options and RSUs with respect to that Director.

- The number of Options to be issued will be determined by dividing the percentage elected by the Director by the Black-Scholes value on the grant date. Options will vest in a single installment on December 1, 2014, subject to continued service on the Board, with full acceleration upon a change in control.

- The number of RSUs to be issued will be determined by dividing the percentage of RSUs elected by the Director by the fair market value of Company common stock on the date of issuance. The RSUs will be full value shares of Company common stock and will vest in a single installment on

December 1, 2014, subject to continued service on the Board, with full acceleration upon a change in control.

Timing

- Annual fiscal year cash compensation will be paid in one installment at the Compensation Committee meeting in April (or such later time as the Company's Annual Meeting of Shareholders occurs). Amounts paid will be pro-rated for partial year service, with a fractional month of service rounded to a whole month. Accordingly, if a Director resigns from the Board, is removed from the Board by a vote, is removed from the Board due to a change in control, or dies in office, he or she is paid a pro-rated amount for service through date of termination of service. Similarly a Director who joins the Board other than on the first day of the fiscal year will be paid a pro-rated amount of the annual fiscal year compensation. The same proration rule will also apply to any partial year service on any committee.

B. Initial Director Appointment Grant

Each newly elected Director shall receive an Initial Director Appointment Grant of $300,000 of Option equivalent shares at the first April or October grant date following his or her election to the Board. The split between Options and Deferred Stock Units ("DSUs") will be determined by each Director individually by written election made at least seven (7) calendar days in advance of the issuance of the Initial Director Appointment Grant. Such election will be expressed as a percentage of the Initial Director Appointment Grant (e.g., 50% in Options and 50% in DSUs) and may consist of all Options, all DSUs or any combination thereof, with each DSU having a value equivalent to 2.0 Options; provided, however, that if the Corporation modifies the value equivalent ratio between restricted equity issued to employees and Options, such modified value equivalent ratio shall thereafter apply to any subsequent Initial Director Appointment Grant. The precise number of Options and/or DSUs to be issued to the newly elected Director will be determined by dividing the dollar amount of the Options by the Black Scholes value on the date of grant and the dollar amount of the DSUs by the fair market value of Company common stock on the date of issuance.

Options and DSUs will vest over a 60-month period, beginning on the first day of the month following the month the Director joins the Board, with full acceleration upon a change in control. Initial Director Appointment Options shall contain such other similar terms as applicable to employee options. DSUs will be settled upon a Director's separation from service from the Board of Directors or change in control, if earlier, and not upon vesting.

C. Stock Retention Guidelines

All non-employee Directors must hold a number of shares of the Corporation's common stock having a fair market value equal to at least three times the Annual Cash Retainer, which for purposes of this requirement shall include vested RSUs and vested DSUs. Directors have five years to attain this guideline from the date of election to the Board.

D. Miscellaneous

Employee Directors shall not be entitled to participate in the 2014 Director Compensation Plan.

**Initial Grant**

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

Name of Grantee: __
Number of DSUs Granted: __
Grant Date: __

1. Award. Pursuant to the Progress Software Corporation 2008 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Progress Software Corporation (the "Company") hereby grants to the Grantee named above the number of Deferred Stock Units ("DSUs") specified above. This Award represents a promise to pay out to the Grantee at a future date a number of shares of common stock, par value $.01 per share (the "Stock") of the Company equal to the number of vested DSUs.

2. Restrictions on Transferability. DSUs granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to settlement, other than by will or the laws of descent and distribution.

3. Vesting of DSUs. The DSUs shall be vested on the Grant Date with respect to /48ths of the DSUs and the balance of the DSUs shall vest in __ equal monthly increments commencing on the first day of the month immediately following the Grant Date.

Notwithstanding the foregoing, in the event of a Sale Event, the DSUs shall become fully vested.

4. Timing and Form of Payout. The DSUs will be paid out in full in the form of shares of Stock as soon as practical after the Grantee retires or otherwise terminates his service as a Director to the Company.

5. Voting Rights and Dividends. Until such time as the DSUs are paid out in shares of Stock, the Grantee shall not have voting rights. However, all dividends and other distributions paid with respect to the DSUs shall accrue and shall be converted to additional DSUs based on the closing price of the Stock on the dividend distribution date. Such additional DSUs shall be subject to the same restrictions on transferability as are the DSUs with respect to which they were paid. DSUs do not represent actual outstanding shares of Stock.

6. Beneficiary Designation. The Grantee may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the Grantee, shall be in a form prescribed by the Company, and will be effective only when filed by the Grantee in writing with the Company during the Grantee's lifetime. In the absence of any

such designation, benefits remaining unpaid at the Grantee’s death shall be paid to the Grantee’s estate.

7. Continuation of Service as Director. This Agreement shall not confer upon the Grantee any right to continue service with the Company, nor shall this Agreement interfere in any way with the Company’s right to terminate the Grantee’s service at any time.

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

9. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

PROGRESS SOFTWARE CORPORATION

By:

Title

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

Dated: __

Grantee’s Signature

Grantee’s name and address:

**Initial Grant**

NON-QUALIFIED STOCK OPTION AGREEMENT
FOR NON-EMPLOYEE DIRECTORS
UNDER THE PROGRESS SOFTWARE CORPORATION
2008 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:

No. of Option Shares:

Option Exercise Price per Share:

Grant Date:

Expiration Date:

Pursuant to the Progress Software Corporation 2008 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Progress Software Corporation (the "Company") hereby grants to the Optionee named above, who is a Director of the Company, an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock, par value $.01 per share, of the Company (the "Stock") at the Option Exercise Price per share specified above subject to the terms and conditions set forth herein and in the Plan. This Stock Option is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

1. Exercisability Schedule. This Stock Option shall be vested and exercisable on the Grant Date with respect to /48ths of the Stock Option and the balance of the Stock Option shall be exercisable in __ equal monthly increments commencing on the first day of the month immediately following the Grant Date.

Notwithstanding the foregoing, in the event of a Sale Event, this Stock Option shall become immediately exercisable in full, whether or not exercisable at such time.

2. Manner of Exercise.

(a) From time to time on or prior to the Expiration Date, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by check or any other form of payment that is permitted by Section 5(e) of the Plan.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination as Director. If the Optionee ceases to be a Director of the Company, the portion of the Stock Option that is not exercisable at such time shall immediately terminate, and the period within which to exercise the portion of the Stock Option that is exercisable at such time may be subject to earlier termination as set forth below:

(a) Termination by Reason of Death. If the Optionee ceases to be a Director by reason of the Optionee's death, this Stock Option shall become fully vested and exercisable and may be exercised by his or her legal representative or legatee for a period of 24 months from the date of cessation of service as a Director or 10 days after the end of the blackout period in effect during such post-termination period, if later; provided, however, that this Stock Option shall nevertheless expire on the Expiration Date, if earlier.

(b) Termination by Reason of Cause. If the Optionee ceases to be a Director by reason of the Optionee's termination of service for Cause (as defined in the Plan), no portion of this Stock Option may be exercised after the last day of service as a Director.

(c) Termination by Reason of Disability. If the Optionee ceases to be a Director by reason of the Optionee's Disability (as defined in the Plan), this Stock Option shall become fully vested and exercisable and may be exercised by the Optionee for a period of 12 months from the date of cessation as a Director or 10 days after the end of the blackout period in effect during such post-termination period, if later; provided, however, that this Stock Option shall nevertheless expire on the Expiration Date, if earlier.

(d) Other Termination. If the Optionee ceases to be a Director for any reason other than the Optionee's death or termination for Cause or Disability, any portion of this Stock Option outstanding on such date, to the extent exercisable, may be exercised for a period of 90 days from the date of cessation of services as a Director or 10 days after the end of the blackout period in effect during such post-termination period, if later; provided, however, that this Stock Option shall nevertheless expire on the Expiration Date, if earlier.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution; provided, however, that with the consent of the Administrator, this Stock Option may be transferred, without payment of consideration, 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.

6. No Obligation to Continue as a Director. Neither the Plan nor this Stock Option confers upon the Optionee any rights with respect to continuance as a Director.

7. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

PROGRESS SOFTWARE CORPORATION

By: __
Title:

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

Dated: _______________________ __
Optionee's Signature

NON-QUALIFIED STOCK OPTION AGREEMENT
FOR NON-EMPLOYEE DIRECTORS
UNDER THE PROGRESS SOFTWARE CORPORATION
2008 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:

No. of Option Shares:

Option Exercise Price per Share:

Grant Date:

Expiration Date:

Pursuant to the Progress Software Corporation 2008 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Progress Software Corporation (the "Company") hereby grants to the Optionee named above, who is a Director of the Company, an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock, par value $.01 per share, of the Company (the "Stock") at the Option Exercise Price per share specified above subject to the terms and conditions set forth herein and in the Plan. This Stock Option is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

1. Exercisability. This Stock Option shall be become exercisable in full on December 1, 2012.

2. Manner of Exercise.

(a) From time to time on or prior to the Expiration Date, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by check or any other form of payment that is permitted by Section 5(e) of the Plan.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination as Director. If the Optionee ceases to be a Director of the Company, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below:

(a) Termination by Reason of Death. If the Optionee ceases to be a Director by reason of the Optionee's death, any portion of this Stock Option outstanding on such date may be exercised by his or her legal representative or legatee for a period of 24 months from the date of cessation of service as a Director or 10 days after the end of the blackout period in effect during such post-termination period, if later; provided, however, that this Stock Option shall nevertheless expire on the Expiration Date, if earlier.

(b) Termination by Reason of Cause. If the Optionee ceases to be a Director by reason of the Optionee's termination of service for Cause (as defined in the Plan), no portion of this Stock Option may be exercised after the last day of service as a Director.

(c) Termination by Reason of Disability. If the Optionee ceases to be a Director by reason of the Optionee's Disability (as defined in the Plan), any portion of this Stock Option outstanding on such date, may be exercised by the Optionee for a period of 12 months from the date of cessation as a Director or 10 days after the end of the blackout period in effect during such post-termination period, if later; provided, however, that this Stock Option shall nevertheless expire on the Expiration Date, if earlier.

(d) Other Termination. If the Optionee ceases to be a Director for any reason other than the Optionee's death or termination for Cause or Disability, any portion of this Stock Option outstanding on such date may be exercised for a period of 90 days from the date of cessation of services as a Director or 10 days after the end of the blackout period in effect during such post-termination period, if later; provided, however, that this Stock Option shall nevertheless expire on the Expiration Date, if earlier.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the

Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution; provided, however, that with the consent of the Administrator, this Stock Option may be transferred, without payment of consideration, 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.

6. No Obligation to Continue as a Director. Neither the Plan nor this Stock Option confers upon the Optionee any rights with respect to continuance as a Director.

7. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

PROGRESS SOFTWARE CORPORATION

By: __
Title: __

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

Dated: ______________________ __

Optionee's Signature

**Exhibit 21.1**

**Subsidiaries of Progress Software Corporation**

| Jurisdiction | Name |
|---|---|
| North America | |
| California | Corticon Technologies, Inc. |
| California | Rollbase, Inc. |
| California | OpenAccess Software Inc. |
| California | Savvion, Inc. |
| Canada | Actional Technologies, Ltd. |
| Canada | NEON Systems Quebec, Inc. |
| Canada | NEON Systems Canada Inc. |
| Canada | Object Oriented Concepts, Inc. |
| Canada | Progress Software Corporation of Canada Ltd. |
| Canada | PeerDirect Company |
| Delaware | Apama Inc. |
| Delaware | Actional Corporation |
| Delaware | FuseSource Corp. |
| Delaware | NEON Systems, Inc. |
| Delaware | Nusphere Corporation |
| Delaware | Object Oriented Concepts, Inc. |
| Delaware | PeerDirect Corporation |
| Delaware | Persistence Software Inc. |
| Delaware | Progress Software International Corporation |
| Delaware | Progress Software Corporation |
| Massachusetts | DataDirect Technologies Corp. |
| Massachusetts | Oak Park Realty LLC |
| Massachusetts | Oak Park Realty Two LLC |
| Massachusetts | Progress Security Corporation |
| Pennsylvania | Genesis Development Corporation |
| Europe | |
| Austria | Progress Software GesmbH |
| Belgium | DataDirect Technologies NV |
| Belgium | IONA Technologies (Belgium), SA |
| Belgium | Progress Software NV |
| Czech Republic | Progress Software spol. s.r.o. |
| Denmark | Progress Software A/S |
| Finland | Progress Software Oy. |
| France | IONA Technologies, SARL |
| France | Object Design |
| France | Progress Software S.A.S. |
| France | Xcalia SA |
| Germany | Progress Software GmbH |
| Germany | Sonic Software GmbH |
| Ireland | IONA Technologies Limited |

| | |
|---|---|
| Ireland | IONA Research (IRL) Ltd. |
| Ireland | Orbix Limited |
| Ireland | SPK Acquisitions Limited |
| Italy | Progress Software Italy S.r.l. |
| Netherlands | Progress Software B.V. |
| Netherlands | Progress Software Europe B.V. |
| Norway | Progress Software A/S |
| Poland | Progress Software Sp. z.o o. |
| Spain | IONA Technologies Spain SL |
| Spain | Progress Software S.L.U. |
| Sweden | Progress Software Svenska AB |
| Switzerland | IONA Technologies (Schweiz) AG |
| Switzerland | Progress Software AG |
| United Kingdom | Apama Limited |
| United Kingdom | DataDirect Technologies Ltd. |
| United Kingdom | NEON Systems UK Ltd. |
| United Kingdom | Persistence Software Ltd. |
| United Kingdom | Progress Software Limited |
| United Kingdom | Sonic Software (UK) Limited |
| | |
| Latin America | |
| Argentina | Progress Software de Argentina S.A. |
| Brazil | Progress Software do Brasil Ltda. |
| Chile | Progress Software de Chile S.A. |
| Colombia | Progress Software de Colombia S.A. |
| Mexico | Progress Software, S.A. de C.V. |
| Venezuela | Progress Software de Venezuela C.A. |
| | |
| Asia Pacific | |
| Australia | IONA Technologies Asia Pacific Pty. |
| Australia | Object Oriented Concepts Pty. Limited |
| Australia | Progress Software Pty. Ltd. |
| China | Progress (Shanghai) Software System Company Limited |
| Hong Kong | IONA Technologies China Limited |
| Hong Kong | Progress Software Corporation Limited |
| India | Progress Software Development Private Limited |
| India | Progress Solutions India Private Limited |
| Japan | Progress Japan KK |
| Malaysia | Progress Software (M) Sdn Bhd |
| Singapore | Progress Software Corporation (S) Pte. Ltd. |
| South Africa | Progress Software (Pty) Ltd. |
| | |
| Other | |
| Cayman Islands | IONA Technologies Finance |

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements Nos. 33-50654, 33-96320, 333-41393, 333-41403, 333-80559, 333-80571, 333-98035, 333-101239, 333-122962, 333-146233 and 333-150555 on Form S-8 and Registration Statement No. 333-133724 on Form S-3 of our reports dated January 29, 2014, relating to the financial statements of Progress Software Corporation (which report expresses an unqualified opinion and includes an explanatory paragraph relating to discontinued operations), and the effectiveness of Progress Software Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Progress Software Corporation for the year ended November 30, 2013.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts
January 29, 2014

**Exhibit 31.1**

**CERTIFICATION**

I, Philip M. Pead, certify that:

1. I have reviewed this Annual Report on Form 10-K of Progress Software Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: January 29, 2014

/s/ PHILIP M. PEAD

Philip M. Pead
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION**

I, Chris E. Perkins, certify that:

1. I have reviewed this Annual Report on Form 10-K of Progress Software Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: January 29, 2014

/s/ CHRIS E. PERKINS

Chris E. Perkins
Senior Vice President, Finance and
Administration and Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Progress Software Corporation (the Company) for the year ended November 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned, Philip M. Pead, President and Chief Executive Officer, and Chris E. Perkins, 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/ PHILIP M. PEAD | /s/ CHRIS E. PERKINS |
| President and Chief Executive Officer | Senior Vice President, Finance and Administration and Chief Financial Officer |
| Date: January 29, 2014 | Date: January 29, 2014 |