

PROGRESS SOFTWARE CORP /MA

Form 10-K

January 31, 2011

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**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, 2010

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
*(State or Other Jurisdiction of Incorporation or
Organization)*

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

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

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

<i>Title of Each Class</i>	<i>Name of Each Exchange on Which Registered</i>
Common Stock \$.01 par value	The NASDAQ Stock Market LLC
Securities registered pursuant to Section 12(g) of the Act:	
None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ 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.

Large accelerated filer ☒

Accelerated
filer ☐

Non-accelerated filer ☐

Smaller reporting
company ☐

(Do not check if a smaller reporting
company)

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

As of May 31, 2010 (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 \$1,378,000,000.

As of January 24, 2011, there were 67,098,000 common shares outstanding.

Documents Incorporated By Reference

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 2011 are incorporated by reference into Part III.

PROGRESS SOFTWARE CORPORATION
FORM 10-K
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2010
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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, 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.

Common Stock Split

On December 20, 2010, our Board of Directors approved a three-for-two common stock split in the form of a stock dividend. Shareholders received one additional share for every two shares held. The distribution was made on January 28, 2011 to shareholders of record at the close of business on January 12, 2011. All share and per share amounts in this Annual Report have been restated to reflect the stock split.

Item 1. Business

Overview

We are a global enterprise software company that enables organizations to achieve higher levels of business performance by improving operational responsiveness. Operational responsiveness is the ability of business processes and systems to respond to changing business conditions and customer interactions as they occur. We offer a portfolio of best-in-class, real-time software solutions providing enterprises with significantly improved operational responsiveness within all events and activities that they participate. A key offering is the Progress® Responsive Process Management (Progress RPM) suite that provides comprehensive visibility and insight into business systems and processes, event processing to respond to events that could affect performance, and business process management enabling companies to continually improve business processes without disruption to their ongoing operations or technology infrastructure. Progress RPM enables enterprises to achieve a higher level of business performance. We also provide enterprise data solutions (data access and integration) and application development platforms (for application development and management, and SaaS enablement). We maximize the benefits of operational responsiveness while minimizing information technology (IT) complexity and total cost of ownership.

We measure performance within three business units: Application Development Platforms, Enterprise Business Solutions and Enterprise Data Solutions. Our product lines comply with open standards, deliver high levels of performance and scalability and provide a low total cost of ownership. Our products are generally sold as perpetual licenses, but certain product lines and business activities also use term or subscription licensing models. Our Application Development Platforms business unit includes the Progress OpenEdge® product set which enables independent software vendors (ISVs) and end-user organizations to develop, deploy and manage sophisticated business applications in complex business environments. Our Progress Orbix® and Progress ObjectStore® products are also part of this business unit.

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

The Progress RPM suite delivers immediate and actionable insight into business operations through the Progress Control Tower, a unified, interactive environment. The Progress RPM suite enables business users to gain visibility into critical processes, immediately respond to events, and continuously improve business performance without disruption to existing infrastructure.

Our Enterprise Data Solutions business unit helps drive operational responsiveness by delivering the right information, in the right form, at the right time. This business unit includes solutions and products that provide data management, data integration, replication, caching, access, and security capabilities spanning multiple data sources. Enterprise Data Solutions enables

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enterprises to solve three important challenges: (1) access and integrate fragmented enterprise data and deliver actionable information in real time; (2) leverage mainframe data and applications with different architectures; and (3) connect applications on various platforms to numerous data sources. Products in this business unit include Progress Data Services®, Progress DataDirect® Connect® and Progress DataDirect Shadow®.

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

Our Products

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

Application Development Platforms business unit:

Progress® OpenEdge®

The Progress® OpenEdge® platform, with more than 60,000 customers worldwide, is a comprehensive platform for the rapid development and deployment of business applications that are standards-based and service-oriented.

OpenEdge-based applications can be deployed and managed over many computer platforms as well as under a SaaS model. OpenEdge provides a unified environment comprising development tools, application servers, application management tools, an embedded database, and the capability to connect and integrate with other applications and data sources. The primary products included in this product set are OpenEdge Studio, OpenEdge RDBMS, OpenEdge Application Server, OpenEdge DataServers, OpenEdge Management and OpenEdge Replication.

Progress® Orbix®

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

Progress® ObjectStore®

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

Enterprise Business Solutions business unit:

Progress® Responsiveness Process Management

The Progress RPM suite delivers immediate and actionable insight into business operations through the Progress Control Tower . The Progress RPM suite enables business users to gain comprehensive visibility into critical processes, immediately respond to events, and continuously improve business performance without disruption to existing infrastructure. An important offering associated with the RPM suite are solution accelerators, which are a unique capability of pre-built, industry-specific, dynamic applications layered on the Progress Responsive Process Management suite developed specifically for selected industries. They allow business users to define their business processes based on best-in-class industry practices.

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Progress Control Tower

The Progress Control Tower is a unified, interactive business control panel that gives business users the tools needed to view what is happening within their business and the ability to assess how to improve it. This fully configurable, feature-rich, interactive framework delivers visibility into key performance indicators (KPIs) and the ability to raise alerts and act on them in real-time. Users can also create and model business processes that can then be monitored and improved dynamically.

Progress® Sonic®

The Progress® Sonic® product set helps IT organizations achieve broad-scale interoperability of IT systems and the flexibility to adapt these systems to rapidly changing business needs. Sonic products include an enterprise messaging system and one of the leading enterprise service buses (ESB). Sonic products simplify the integration and flexible reuse of diverse and often proprietary business systems by manipulating them as modular, standards-based services, which can be rapidly combined to serve enterprises in new ways. Sonic ESB provides reliable integration of a service oriented architecture (SOA) that incorporates multiple sites or management domains. Unique clustering technology and continuous availability architecture (CAA) ensure scalable processing that never loses messages and never goes down. Through patent-pending CAA, Sonic products can deliver timely and continuous mission-critical business events. The primary products included in this product set are Sonic ESB, SonicMQ®, Sonic Orchestration Server and Sonic WorkBench.

Progress® Actional®

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

Progress® Apama®

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

Progress® Savvion®

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

Fuse®

Fuse products provide customers with access to professional open source integration and messaging software through a subscription model. We established FuseSource Corp. in October 2010 to operate as a wholly owned subsidiary for the Fuse products. FuseSource subscriptions include certified distributions of Apache Software Foundation projects, professional documentation, enterprise-level support and tools to allow management and metering. FuseSource offers the following certified Apache distributions: Fuse ESB® for enterprise integration projects, Fuse Message Broker® for enabling communications between applications and service components, Fuse Services Framework® for enabling Web services and Fuse Mediation Router® for enabling orchestration and routing.

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Enterprise Data Solutions business unit:

Progress® DataDirect Connect®

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

Progress® DataDirect® Shadow®

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

Progress® Data Services

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

Segments

We manage performance within three business units, which meet the criteria for segment reporting: (1) Application Development Platforms, which includes the OpenEdge, Orbix and ObjectStore products; (2) Enterprise Business Solutions, which includes the Apama, Sonic, Actional, Savvion and FuseSource products; and (3) Enterprise Data Solutions, which includes the DataDirect Connect, DataDirect Shadow and Data Services products.

For financial information relating to business segments and international operations, see Note 12 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

Product Development

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

For example, some of our newer products require a higher level of development, distribution and support expenditures, on a percentage of revenue basis, than some of our other more established product lines. If revenue generated from these products grows as a percentage of our total revenue and if the expenses associated with these products do not decrease on a percentage of revenue basis, then our operating margins will be adversely affected. Our product development staff consisted of 579 employees as of November 30, 2010. We have five primary development offices in North America, three primary development offices in EMEA and two primary development offices in India. We spent \$91 million, \$93 million and \$88 million in fiscal years 2010, 2009 and 2008, respectively, on product development.

In 2010, we undertook an initiative to increase our investment and expand our development operations in India. We expect to increase the size of our development organization in Hyderabad, India, from about a third of our development resources to about half, in order to maximize resources and manage our development costs as we increase overall R&D headcount and bandwidth in our key product areas. Therefore, over the next twelve months, we expect to move and add additional product group functions as well as certain administrative functions to India. This expansion in India will result in the reduction of our development and administration operations headcount in all other geographies in which we operate.

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Customers

We market our products globally through channels – direct to end-users and indirect to ISVs (named Progress Application Partners), OEMs, and System Integrators. Purchasers of our solutions and products through our direct sales force are generally either business managers or IT managers in corporations and government agencies. In addition, we market our products through indirect channels, primarily application partners, and to 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. 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 (OEMs)

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

Sales and Marketing

We sell our products and solutions through our direct global field operations, which comprise sales, service and support personnel, worldwide. Additionally, we sell our products and solutions through independent distributors in certain locations outside North America. 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 then by direct and indirect channels. We operate by region in the Americas, EMEA and Asia/Pacific. We believe that this structure allows us to maintain direct contact with our customers and support their diverse market requirements. Our international operations provide focused local sales, 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, 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 product lines. 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 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; and Melbourne, Australia. Local technical support for specific products is provided in certain other countries as well.

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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, implementations 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 our products. We believe that the breadth and integration of our product offerings have become increasingly important competitive advantages. Other factors affecting competition in the markets we serve include product performance in complex applications, application solutions, vendor experience, ease of integration, price, training and support.

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

Copyrights, Trademarks, Patents and Licenses

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

We seek to protect the source code of our products as trade secrets and as unpublished copyrighted works. We hold over 60 patents covering portions of our products. We also have approximately 50 patent applications for some of our other product technologies. Where possible, we seek to obtain protection of our product names and service offerings through trademark registration and other similar procedures throughout the world.

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

Employees

As of November 30, 2010, we had 1,576 employees worldwide, including 502 in sales and marketing, 319 in customer support and services, 579 in product development and 176 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.

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

Name	Age	Position
Barry R. Bycoff	62	Executive Chairman of the Board
Richard D. Reidy	51	President and Chief Executive Officer and Director
Joseph A. Andrews	54	Senior Vice President, Human Resources
John Bates	40	Senior Vice President, Chief Technology Officer and Head of Corporate Development
David A. Benson	51	Executive Vice President and Chief Information Officer
Gary G. Conway	57	Executive Vice President and Chief Marketing Officer
James D. Freedman	62	Senior Vice President and General Counsel
John P. Goodson	46	Senior Vice President, Interim Chief Product Officer
Christopher Larsen	52	Executive Vice President, Global Field Operations
Charles F. Wagner, Jr.	42	Executive Vice President, Finance and Administration and Chief Financial Officer

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

Mr. Reidy has been President and Chief Executive Officer since March 2009. Prior to that time, Mr. Reidy was Chief Operating Officer from September 2008 to March 2009. Prior to that time, he was Executive Vice President, a position he assumed in December 2007. Prior to December 2007, Mr. Reidy was President, DataDirect Technologies Division. Mr. Reidy joined us in 1985.

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.

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

Mr. Benson 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. Conway became Executive Vice President and Chief Marketing Officer in April 2010. Mr. Conway joined us in November 2008 as Senior Vice President and Chief Marketing Officer. Prior to joining us, Mr. Conway was Senior Vice President, Marketing at SprintNextel, Inc., with whom he was employed from 2004 until August 2006.

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

Mr. Goodson became Senior Vice President, Interim Chief Product Officer in 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. Prior to December 2007, Mr. Goodson was Vice President, Product Operations, for DataDirect Technologies Division. Mr. Goodson joined DataDirect Technologies Limited, a predecessor company acquired by Progress, in 1992.

Mr. Larsen became Executive Vice President, Global Field Operations in April 2010. Mr. Larsen joined us in September 2009 as Senior Vice President, Global Field Operations. Prior to joining us, Mr. Larsen served as President and Chief Operating Officer of Allegro Development, a provider of energy trading risk management software, from

January 2008 until January 2009. Prior to that time, Mr. Larsen was Executive Vice President of Global Field Operations at TIBCO Software, an enterprise software company, from September 2003 to April 2007.

Mr. Wagner joined us in November 2010 as Executive Vice President, Finance and Administration and Chief Financial Officer. Prior to joining us, Mr. Wagner served as Corporate Vice President and Chief Financial Officer of Millipore Corporation from August 2007 to July 2010, when the company was acquired by Merck KGaA.

Mr. Wagner joined Millipore in December 2002 as Director of Strategic Planning and Business Development and was appointed Vice President, Strategic

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Planning and Business Development, in March 2003, serving in this role until his appointment as chief financial officer of Millipore.

Available Information

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

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

Weakness in the U.S. and international economies may result in fewer sales of our products and may otherwise harm our business. We are subject to the risks arising from adverse changes in global economic conditions, especially those in the U.S., Europe and the Asia-Pacific region. The past two years have been characterized by weak global economic conditions, tightening of credit markets and instability in the financial markets. Although these conditions seem to be improving, 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 and financial condition.

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Our international operations expose us to additional risks, and changes in global economic and political conditions could adversely affect our international operations, our revenue and our net income. In the past few fiscal years, we have generated between 50% and 60% of our total revenue from sales outside North America. Political instability, oil price shocks and armed conflict in various regions of the world can lead to economic uncertainty and may adversely 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;
- greater difficulties in accounts receivable collection;
- unexpected changes in regulatory requirements;
- export restrictions, tariffs and other trade barriers;
- difficulties in staffing and managing foreign operations;
- reduced or minimal protection of intellectual property rights in some countries;
- seasonal reductions in business activity during the summer months in Europe and certain other parts of the world;
- economic instability in emerging markets; and
- potentially adverse tax consequences.

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

Fluctuations in foreign currency exchange rates could have an adverse impact on our financial condition and results of operations. Changes in the value of 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 option and forward contracts to hedge certain actual and forecasted transactions of selected currencies (mainly in Europe, Brazil, Japan 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. The development of new products is increasingly complex and uncertain, which increases the risk of delays. We may not be successful in developing new products incorporating new technology on a timely basis, and any new products may not adequately address the changing needs of the marketplace. Failure to develop new products and product enhancements that meet market needs in a timely manner could have a material adverse effect on our business, financial condition and operating results.

We are substantially dependent on our Progress OpenEdge product line. We derive a significant portion of our revenue from software license and maintenance revenue attributable to our Progress OpenEdge product 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.

We expect to make additional acquisitions or investments in new businesses, products or technologies that involve additional risks, which could disrupt our business or harm our financial condition or results of operations. As part

of our business strategy, we have made, and expect to continue to make, acquisitions of businesses or investments in companies that offer complementary products, services and technologies. If we are unable to identify and complete such acquisitions, we may not achieve our revenue or earnings targets. Any acquisitions 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 and operating results. The consideration we pay for any future acquisitions could include our stock. As a result, future acquisitions could cause dilution to existing shareholders and to earnings per share.

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

During 2010, we announced a new product initiative, the Progress RPM suite, which is designed to enable businesses to gain visibility into critical processes, immediately respond to events and continuously improve business performance. We believe RPM will enhance our competitiveness within our markets and our long-term growth prospects. If we are not successful in the execution of this new product initiative or if the customer demand for RPM is not as we expect, our revenue growth will be adversely impacted.

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

We are undertaking an expansion of our development and administrative operations in India, which will lead to increased costs in the short term and may not succeed in reducing costs in the long term. In 2010, we undertook an initiative to increase our investment and expand our development operations in India which will increase the size of our development organization from about a third of our development resources to about half. We undertook this initiative in order to maximize resources and manage our development costs as we increase overall R&D headcount and bandwidth in our key product areas. Therefore, over the next twelve months, we expect to move and add additional product group functions as well as certain administrative functions to India. This expansion in India will result in the reduction of our development and administrative operations headcount in all other geographies in which we operate. We could experience delays, business disruptions or unanticipated employee turnover in connection with this initiative, and there can be no assurance that the expected benefits of this initiative will be realized.

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.

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

We recognize a substantial portion of our revenue from sales made through third parties, including our application partners and OEMs, and adverse developments in the businesses of these third parties or in our relationships with them could harm our revenues and results of operations. Our future results depend upon our continued successful

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

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We could incur substantial cost in protecting our proprietary software technology or 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 or results of operations. 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 and operating results.

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

The use of open source software in our products may expose us to additional risks. We license certain open source software pursuant to license agreements that require a user who distributes the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. This effectively renders what was previously proprietary software open source software. Many features we may wish to add to our products in the future may be available as open source software and our development team may wish to make use of this software to reduce development costs and speed up the development process. While we carefully monitor the use of all open source software and try to ensure that no open source software is used in such a way as to require us to disclose the source code to the related product, such use could inadvertently occur. Additionally, if a third party has incorporated certain types of open source software into its software but has failed to disclose the presence of such open source software and we embed that third party software into one or more of our products, we could, under certain circumstances, be required to disclose the source code to our product. This could have a material adverse effect on our business.

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 or communications from the SEC related to our financial statements or periodic filings with the SEC.

Item 2. Properties

We own our principal administrative, sales, support, marketing, product development and distribution facilities, which are located in three buildings totaling approximately 258,000 square feet in Bedford, Massachusetts. In addition, we maintain offices in leased facilities in approximately 13 other locations in North America and approximately 27 locations outside North America. The terms of our leases generally range from one to six years. We believe that our

facilities are adequate for our current needs and that suitable additional space will be available as needed.

Item 3. Legal Proceedings

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

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

In May 2010, we filed a response to this complaint in which we denied all claims. The discovery phase of this litigation has commenced. Trial is scheduled for January 3, 2012.

We intend to defend the action vigorously. While we believe that we have valid defenses to JuxtaComm's claims, litigation is inherently unpredictable and we cannot make any predictions as to the outcome of this litigation. It is possible that our business, financial position, or results of operations could be negatively affected by an unfavorable resolution of this action.

Item 4. (Removed and Reserved)**PART II****Common Stock Split**

On December 20, 2010, our Board of Directors approved a three-for-two common stock split in the form of a stock dividend. Shareholders received one additional share for every two shares held. The distribution was made on January 28, 2011 to shareholders of record at the close of business on January 12, 2011. All share and per share amounts below have been restated to reflect the stock split.

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

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

Year Ended November 30,	2010		2009	
	High	Low	High	Low
First Quarter	\$ 20.34	\$ 16.06	\$ 14.19	\$ 10.51
Second Quarter	23.29	18.58	15.37	9.79
Third Quarter	22.39	17.64	16.03	13.37
Fourth Quarter	26.30	17.97	16.82	13.91

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, 2010, our common stock was held by approximately 4,000 shareholders of record or through nominee or street name accounts with brokers.

Information related to our repurchases of our common stock by month in the fourth quarter of fiscal 2010 is as follows:

(in thousands, except per share data)

Period:	Total Number Of Shares Purchased	Average Price Paid	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)

per
Share

September 2010	\$	100,000
October 2010		100,000
November 2010		100,000
Total	\$	100,000

- (1) On October 1, 2010, the Board of Directors authorized, for the period from October 1, 2010 through September 30, 2011, the purchase of up to \$100 million of our common stock, at such times that management deems such purchases to be an effective use of cash.

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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, 2010, assuming an investment of \$100 at the beginning of such period and the reinvestment of any dividends.

* \$100 invested on 11/30/05 in stock or index, including reinvestment of dividends.

November 30,	2005	2006	2007	2008	2009	2010
Progress Software Corporation	100.00	87.62	102.23	68.78	77.83	124.50
NASDAQ Composite	100.00	108.91	119.17	68.77	96.05	111.89
NASDAQ Computer	100.00	107.03	123.94	66.59	107.81	127.55

Item 6. Selected Financial Data

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

(In thousands, except per share data)

Year ended November 30,	2010	2009	2008	2007	2006
Revenue	\$ 529,120	\$ 494,137	\$ 515,560	\$ 493,500	\$ 447,063
Income from operations	67,670	51,132	64,383	57,216	40,943
Net income	48,571	32,755	46,296	42,280	29,401
Basic earnings per share	0.76	0.54	0.75	0.68	0.48
Diluted earnings per share	0.73	0.53	0.72	0.64	0.45
Cash and short-term investments	322,396	224,121	118,529	339,525	241,315
Total assets	936,823	798,850	752,370	761,828	670,239
Long-term debt, including current portion	664	1,022	1,352	1,657	1,938
Shareholders' equity	688,332	555,452	481,452	517,874	444,564

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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.

Overview

We are a global enterprise software company that enables organizations to achieve higher levels of business performance by improving operational responsiveness. Operational responsiveness is the ability of business processes and systems to respond to changing business conditions and customer interactions as they occur. We offer a portfolio of best-in-class, real-time software solutions providing enterprises with significantly improved operational responsiveness within all events and activities that they participate. A key offering is the Progress Responsive Process Management (RPM) suite that provides comprehensive visibility and insight into business systems and processes, event processing to respond to events that could affect performance, and business process management enabling companies to continually improve business processes without disruption to their ongoing operations or technology infrastructure. RPM enables enterprises to achieve a higher level of business performance. We also provide enterprise data solutions (data access and integration) and application development platforms (for application development and management, and SaaS enablement). We maximize the benefits of operational responsiveness while minimizing information technology (IT) complexity and total cost of ownership.

We derive a significant portion of our revenue from international operations. These operations are primarily conducted in foreign currencies. As a result, changes in the value of these foreign currencies relative to the U.S. dollar significantly impact our results of operations. In the first three quarters of fiscal 2009, the strengthening of the U.S. dollar against most major currencies negatively affected the translation of our results into U.S. dollars. In the fourth quarter of fiscal 2009 and in the first six months of fiscal 2010, the weakening of the U.S. dollar against most major currencies positively affected the translation of our results into U.S. dollars. In the last six months of fiscal 2010, the stronger U.S. dollar against most major currencies negatively affected the translation of our results into U.S. dollars. For fiscal 2010, we reorganized our segment reporting into three business units: Application Development Platforms, Enterprise Business Solutions and Enterprise Data Solutions. Our business units represent our segments for financial reporting purposes. However, our organization is managed primarily on a functional basis. We assign dedicated costs and expenses directly to each business unit. We utilize an allocation methodology to assign all other costs and expenses to each business unit. A significant portion of the total costs and expenses assigned to each business unit are allocated. We disclose revenue and operating income based upon internal accounting methods. Our product lines are synonymous with our reportable segments or business units. For an understanding of how our internal measure of product line revenue is determined, see Note 12 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

Our product lines comply with open standards, deliver high levels of performance and scalability and provide a low total cost of ownership. Our products are generally sold as perpetual licenses, but certain product lines and business activities also utilize term and subscription licensing models. See Item 1 in this Form 10-K for further description of our business units.

On January 8, 2010, we acquired Savvion, Inc., a privately held business enterprise software company based in Santa Clara, California, for \$49.2 million. Savvion is a provider of business process management software. The Savvion products became part of our Enterprise Business Solutions segment. Our acquisition strategy has been to expand our business and/or add complimentary products and technologies to our existing product sets. We expect to continue to pursue acquisitions in fiscal 2011.

The results for fiscal 2010 reflect aggregate restructuring charges of \$40.0 million taken in connection with previously announced restructurings of our operations during the first and third quarters. The restructurings were undertaken to enhance and re-focus our product strategy, to improve the way we take our products to market by becoming more customer and solutions driven, and to increase our market awareness. To accomplish these goals, and with a view toward better optimizing operations and improving productivity and efficiency, we reduced our global workforce by

approximately 13 percent in the first quarter restructuring and 7 percent in the third quarter restructuring, primarily within our sales, development and administrative organizations. These workforce reductions were conducted across all geographies and also resulted in a consolidation of offices in certain locations.

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We also have undertaken an initiative to increase investment and expand development and administration operations in India, where we have run a successful development organization for several years. We expect to increase the size of our development organization in Hyderabad, India, from about a third of our development resources to about half, in order to maximize resources and manage our development costs as we increase overall R&D headcount and bandwidth in our key product areas. Therefore, over the next twelve months, we expect to move and add additional product group functions as well as certain administrative functions to India. This expansion in India will result in the reduction of our development and administration operations headcount in all other geographies in which we operate. In addition, we intend to continue the consolidation of some of our offices around the world.

Through these initiatives, we expect to incur aggregate future pre-tax restructuring charges and pre-tax non-recurring transition expenses of approximately \$5 million to \$8 million over the next twelve months, primarily comprising of costs for severance, transition costs and consolidation of facilities. The transition expenses are necessary to ramp up the new, more efficient capabilities ahead of switching over from the existing cost structure.

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

We see the most significant risks for fiscal 2011 continuing to be the macroeconomic climate, which could cause our customers to delay, forego or reduce the amount of their investments in our products or delay payments of amounts due to us.

Results of Operations

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

Year Ended November 30,	Percentage of Total Revenue			Percentage Change	
	2010	2009	2008	2010 Compared to 2009	2009 Compared to 2008
Revenue:					
Software licenses	36%	36%	37%	10%	(9)%
Maintenance and services	64	64	63	6	(1)
Total revenue	100	100	100	7	(4)
Costs of revenue:					
Cost of software licenses	2	2	2	2	(18)
Cost of maintenance and services	13	13	13	8	(5)
Amortization of acquired intangibles for purchased technology	4	4	3	3	49
Total costs of revenue	19	19	18	7	1
Gross profit	81	81	82	7	(5)
Operating expenses:					
Sales and marketing	32	37	38	(7)	(7)
Product development	17	19	17	(3)	6

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General and administrative	10	12	12	(13)	(4)
Amortization of other acquired intangibles	2	2	1	15	41
Restructuring expenses	7	1	2	*	*
Acquisition-related expenses	0	0	0	6	*
Total operating expenses	68	71	70	4	(3)
Income from operations	13	10	12	32	(21)
Other income, net	0	0	2	*	*
Income before provision for income taxes	13	10	14	40	(31)
Provision for income taxes	4	3	5	24	(34)
Net income	9%	7%	9%	48%	(29)%

* not meaningful

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Fiscal 2010 Compared to Fiscal 2009

Revenue. Our total revenue increased 7% from \$494.1 million in fiscal 2009 to \$529.1 million in fiscal 2010. Total revenue would have increased by 6% if exchange rates had been constant in fiscal 2010 as compared to exchange rates in effect in fiscal 2009. Excluding the impact of changes in exchange rates, our revenue increased principally due to revenue from our Enterprise Business Solutions product line, partially offset by lower growth in our Application Development Platform products and a decline in our Enterprise Data Solutions product line. Changes in prices in fiscal 2010 from fiscal 2009 did not have a significant impact on our revenue.

On a segment basis, revenue from our Application Development Platforms product line increased 1% from \$328.6 million in the fiscal 2009 to \$333.2 million in fiscal 2010. Revenue from our Enterprise Business Solutions product line increased 43% from \$85.1 million in fiscal 2009 to \$122.1 million in fiscal 2010. Revenue for the Enterprise Business Solutions product line in fiscal 2010 included \$19.5 million of revenue from the Savvion product line. Organic growth for the Enterprise Business Solutions product line, absent the acquisition, was 21% in fiscal 2010 driven primarily by the Apama and FuseSource product sets. Revenue from our Enterprise Data Solutions product line decreased 10% from \$83.1 million in fiscal 2009 to \$75.0 million in fiscal 2010. For an understanding of how our internal measure of product line revenue is determined, see Note 12 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

Software license revenue increased 10% from \$175.6 million in fiscal 2009 to \$192.6 million in fiscal 2010. Software license revenue would have increased by 8% if exchange rates had been constant in fiscal 2010 as compared to exchange rates in effect in fiscal 2009. Excluding the impact of changes in exchange rates, the increase in software license revenue was due to an increase in the Enterprise Business Solutions and Application Development Platforms product lines partially offset by a decrease in our Enterprise Data Solutions product lines. Software license revenue from both direct end users and indirect channels, primarily OpenEdge application partners, increased in fiscal 2010 as compared to fiscal 2009.

Maintenance and services revenue increased 6% from \$318.6 million in fiscal 2009 to \$336.6 million in fiscal 2010. Maintenance and services revenue would have increased by 5% if exchange rates had been constant in fiscal 2010 as compared to exchange rates in effect in fiscal 2009. Excluding the impact of changes in exchange rates, the increase in maintenance and services revenue was primarily the result of a slight increase in our installed customer base for maintenance renewals and growth in our professional services revenue, including projects related to Savvion.

Maintenance revenue increased 3% or \$7.1 million over the previous fiscal year and professional services increased 28% or \$10.9 million over the previous fiscal year.

Total revenue generated in North America increased 11% from \$221.2 million in fiscal 2009 to \$244.7 million in fiscal 2010 and represented 45% of total revenue in fiscal 2009 and 46% of total revenue in fiscal 2010. Total revenue generated in markets outside North America increased 4% from \$272.9 million in fiscal 2009 to \$284.5 million in fiscal 2010 and represented 55% of total revenue in fiscal 2009 compared to 54% of total revenue in fiscal 2010.

Revenue from the Asia Pacific and Latin America regions each increased in fiscal 2010 as compared to fiscal 2009, but such increase was partially offset by a decrease in revenue from the EMEA region. Revenue in EMEA would have been essentially the same if exchange rates had been constant in fiscal 2010 as compared to the exchange rates in effect in fiscal 2009. Total revenue generated in markets outside North America would have represented 53% of total revenue if exchange rates had been constant in fiscal 2010 as compared to the exchange rates in effect in fiscal 2009.

Cost of Software Licenses. Cost of software licenses consists primarily of costs of royalties, electronic software distribution costs, duplication and packaging. Cost of software licenses increased 2% from \$7.8 million in fiscal 2009 to \$7.9 million in fiscal 2010 and remained the same as a percentage of software license revenue at 4%. 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. Cost of maintenance and services consists primarily of costs of providing customer support, education and consulting. Cost of maintenance and services increased 8% from \$66.0 million in fiscal 2009 to \$71.3 million in fiscal 2010 and remained the same percentage of maintenance and services revenue at 21%. The total dollar amount of expense in fiscal 2010 increased due to higher usage of third-party contractors for service

engagements, partially offset by lower headcount related costs. Our customer support, education and consulting headcount decreased by 2% from the end of fiscal 2009 to the end of fiscal 2010.

Amortization of Acquired Intangibles for Purchased Technology. Amortization of acquired intangibles for purchased technology primarily represents the amortization of the value assigned to intangible assets for technology obtained in business combinations. Amortization of acquired intangibles for purchased technology increased 3% from \$19.5 million in fiscal 2009 to \$20.1 million in fiscal 2010. The increase was due to amortization expense associated with the acquisition of Savvion.

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Gross Profit. Our gross profit increased 7% from \$400.9 million in fiscal 2009 to \$429.8 million in fiscal 2010. Our gross profit as a percentage of total revenue remained the same at 81% in each fiscal year. The dollar increase in our gross profit was due to the increase in total revenue as our overall gross profit percentage remained the same.

Sales and Marketing. Sales and marketing expenses decreased 7% from \$182.2 million in fiscal 2009 to \$168.8 million in fiscal 2010, and decreased as a percentage of total revenue from 37% to 32%. The decrease in sales and marketing expenses was due to the impact of our restructuring activities in fiscal 2010. Our sales and marketing headcount decreased 21% from the end of fiscal 2009 to the end of fiscal 2010.

Product Development. Product development expenses decreased 3% from \$93.3 million in fiscal 2009 to \$90.6 million in fiscal 2010, and decreased as a percentage of revenue from 19% to 17%. The decrease was primarily due to the impact of our restructuring activities in 2010, partially offset by an increase associated with the product development team acquired in the Savvion transaction. There were no capitalized software development costs in either fiscal 2009 or fiscal 2010, due to the timing and stage of development of projects that might otherwise qualify for capitalization under our software capitalization policy. Our product development headcount decreased 4% from the end of fiscal 2009 to the end of fiscal 2010.

General and Administrative. General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses decreased 13% from \$59.6 million in fiscal 2009 to \$51.8 million in fiscal 2010, and decreased as a percentage of revenue from 12% to 10%. The decrease was primarily due to the impact of our restructuring activities in fiscal 2010, partially offset by integration and transition expenses associated with the Savvion acquisition. Our administrative headcount decreased by 29% from the end of fiscal 2009 to the end of fiscal 2010.

Amortization of Other Acquired Intangibles. Amortization of other acquired intangibles primarily represents the amortization of value assigned to intangible assets obtained in business combinations other than assets identified as purchased technology. Amortization of other acquired intangibles increased 15% from \$9.0 million in fiscal 2009 to \$10.4 million in fiscal 2010. The increase was due to amortization expense associated with the acquisition of Savvion.

Restructuring Expenses. We incurred total restructuring expenses of \$40.0 million in fiscal 2010 as compared to \$5.2 million in fiscal 2009. During the first quarter of fiscal 2010, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes and our recent acquisitions. The restructuring was undertaken to enhance and re-focus our product strategy, to improve the way we take our products to market by becoming more customer and solutions driven, and to increase our market awareness. To accomplish these goals, and with a view toward better optimizing operations and improving productivity and efficiency, we reduced our global workforce by approximately 13 percent primarily within the sales, development, marketing 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 associated with the restructuring was \$26.0 million in fiscal 2010, primarily related to employee severance, excess facilities costs for unused space and, to a lesser extent, termination costs of automobile leases for terminated employees. The restructuring charge included \$0.3 million of noncash stock-based compensation.

During the third quarter of fiscal 2010, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes. The restructuring was undertaken to better position the company for long-term growth, improved profitability, greater competitiveness and improved efficiency across our global business. These initiatives include the refinement of our product portfolio towards core and high-growth opportunities, the global consolidation and redeployment of a portion of our product development and administrative personnel, assets and processes to other global locations that offer greater efficiencies to the business and the continued consolidation of offices around the world. To accomplish these goals, and with a view toward better optimizing operations and improving productivity and efficiency, we reduced our global workforce by approximately 7 percent 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 activities related to this restructuring also continued into the fourth quarter and are expected to continue through fiscal 2011. The total costs in the second half of fiscal 2010 associated with the restructuring aggregated to \$14.0 million.

These costs primarily related to employee severance and facilities related expenses, and were recorded to the

restructuring expense line item within our consolidated statements of operations. The restructuring charge included \$0.2 million of noncash stock-based compensation. The excess facilities and other costs represent facilities costs for unused space and termination costs of automobile leases for employees included in the workforce reduction.

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Income from Operations. Income from operations increased 32% from \$51.1 million in fiscal 2009 to \$67.7 million in fiscal 2010 and increased as a percentage of total revenue from 10% to 13%. The increase in fiscal 2010 as compared to fiscal 2009 was primarily the result of higher revenue and costs savings associated with our restructuring activities, partially offset by the restructuring charges that occurred in the first and third quarters of 2010. Our total headcount decreased 13% from the end of fiscal 2009 to the end of fiscal 2010.

Other Income. Other income increased from \$0.1 million in fiscal 2009 to income of \$3.8 million in fiscal 2010. The increase was primarily due to an increase of \$3.1 million in the value of our foreign currency average rate option contracts, which do not qualify for hedge accounting treatment and are marked-to-market each period, and an insurance settlement gain of \$0.9 million related to a pre-acquisition matter.

Provision for Income Taxes. Our effective tax rate decreased from 36.0% in fiscal 2009 to 32.0% in fiscal 2010. The decrease in the effective tax rate was primarily due to a nonrecurring benefit of \$2.5 million recorded in fiscal 2010. The nonrecurring tax benefit related to a change in estimate of our foreign earnings and profits utilized to determine the tax characterization of certain international cash repatriation, partially offset by resolution of certain of our uncertain tax positions related to netting of intercompany balances. The decrease was also due to the mix of profit within our various tax jurisdictions, partially offset by a reduction in our research and development credit in fiscal 2010 as the credit provisions in the tax code expired at the end of December 2009. The research and development credit was reinstated in the tax code in December 2010 with a retroactive effective date of January 1, 2010, and we currently estimate the tax benefit in fiscal 2011 to be approximately \$3 million. See Note 10 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K for further information.

Fiscal 2009 Compared to Fiscal 2008

Revenue. Our total revenue decreased 4% from \$515.6 million in fiscal 2008 to \$494.1 million in fiscal 2009. Total revenue would have increased by 1% if exchange rates had been constant in fiscal 2009 as compared to exchange rates in effect in fiscal 2008. Excluding the impact of changes in exchange rates, our revenue increased principally due to revenue derived from the products acquired as part of the acquisition of IONA, partially offset by a decrease in the number of software licenses sold from our major products and professional services engagements as a result of the challenging global economic conditions in fiscal 2009. Changes in prices in fiscal 2009 from fiscal 2008 did not have a significant impact on our revenue. On a product line basis, our revenue declined in the Application Development Platform and Enterprise Data Solutions product lines, partially offset by an increase in our Enterprise Business Solutions product line.

Revenue from the Application Development Platforms product line decreased 7% from \$354.4 million in fiscal 2008 to \$328.6 million in fiscal 2009. Revenue from the Enterprise Business Solutions product line increased 14% from \$74.6 million in fiscal 2008 to \$85.1 million in fiscal 2009. Revenue from the Enterprise Data Solutions product line decreased 7% from \$89.3 million in fiscal 2008 to \$83.2 million in fiscal 2009.

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

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

Total revenue generated in markets outside North America decreased 9% from \$299.0 million in fiscal 2008 to \$272.9 million in fiscal 2009 and represented 57% of total revenue in fiscal 2008 as compared to 55% in fiscal 2009. Total revenue generated in North America increased 2% from \$216.6 million in fiscal 2008 to \$221.2 million in fiscal

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

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

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

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

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

Sales and Marketing. Sales and marketing expenses decreased 7% from \$195.9 million in fiscal 2008 to \$182.2 million in fiscal 2009, and decreased as a percentage of revenue from 38% to 37%. The decrease in sales and marketing expenses was due to changes in foreign exchange rates and lower headcount costs resulting from the restructuring activities that occurred in the fourth quarter of fiscal 2008 and in the first quarter of fiscal 2009. Our sales support and marketing headcount decreased by 8% from the end of fiscal 2008 to the end of fiscal 2009.

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

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

Amortization of Other Acquired Intangibles. Amortization of other acquired intangibles increased 41% from \$6.4 million in fiscal 2008 to \$9.0 million in fiscal 2009. The increase in fiscal 2009 compared to fiscal 2008 was related to amortization expense associated with the acquisitions of Mindreef and IONA, which occurred in the second half of fiscal 2008.

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

During the first quarter of fiscal 2009, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes and our recent

acquisitions. The total costs associated with the restructuring was \$5.2 million in fiscal 2009, primarily related to employee severance and, to a lesser extent, termination costs of automobile leases for terminated employees and excess facilities costs for unused space.

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

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

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

Liquidity and Capital Resources

Cash and Short-term Investments

At the end of fiscal 2010, our cash and short-term investments totaled \$322.4 million. The increase of \$98.3 million since the end of fiscal 2009 was primarily due to cash generated from operations and issuances of common stock upon exercise of stock options, partially offset by cash used for the acquisition of Savvion and share repurchases. There are no limitations on our ability to access our cash and short-term investments.

Auction Rate Securities

In addition to the \$322.4 million of cash and short-term investments, we had investments with a fair value of \$39.6 million related to auction rate securities (ARS) that are classified as long-term investments. These ARS are floating rate securities with longer-term maturities that were marketed by financial institutions with auction reset dates at primarily 28 or 35 day intervals to provide short-term liquidity. The remaining contractual maturities of these securities range from 13 to 32 years. The underlying collateral of the ARS consist of municipal bonds, which are insured by monoline insurance companies, and student loans, which are supported by the federal government as part of the Federal Family Education Loan Program (FFELP) and by the monoline insurance companies.

Beginning in February 2008, auctions for these securities began to fail, and the interest rates for these ARS reset to the maximum rate per the applicable investment offering document. At November 30, 2009, our ARS investments classified as long-term investments totaled \$47.4 million at par value. During fiscal 2010, noncurrent ARS totaling \$1.2 million were redeemed at par by the issuers, resulting in a net reduction of the par value of our ARS investments classified as long-term investments to \$46.2 million. These ARS are classified as available-for-sale securities. During fiscal 2010, a total of \$17.7 million of ARS classified as trading securities were repurchased at par by UBS, the investment firm that brokered the original purchases of these ARS.

For each of the ARS classified as available-for-sale, we evaluated the risks related to the structure, collateral and liquidity of the investment, and forecasted the probability of issuer default, auction failure and a successful auction at par or a redemption at par for each future auction period. The weighted average cash flow for each period was then discounted back to present value for each security. Based on this methodology, we determined that the fair value of our non-current ARS investments is \$39.6 million at November 30, 2010, and we have recorded a temporary impairment charge in accumulated other comprehensive income of \$6.6 million to reduce the value of our available-for-sale ARS investments.

We will not be able to access these remaining funds until a future auction for these ARS is successful, we sell the securities in a secondary market, or they are redeemed by the issuer. As such, these remaining investments currently lack short-term liquidity and are therefore classified as long-term investments on our consolidated balance sheet at November 30, 2010. Based on our cash and short-term investments balance of \$322.4 million and expected operating cash flows, we do not anticipate the lack of liquidity associated with these ARS to adversely affect our ability to conduct business and believe we have the ability to hold the affected securities throughout the currently estimated recovery period. Therefore, the impairment on these securities is considered only temporary in nature. If the credit rating of either the security issuer or the third-party insurer underlying the investments deteriorates significantly, we may be required to adjust the carrying value of the ARS through an impairment charge.

Table of Contents***Cash Flows from Operations***

We generated cash from operations of \$96.2 million in fiscal year 2010, \$62.8 million in fiscal year 2009, and \$87.2 million in fiscal year 2008. The components of our cash flows from operations for fiscal years 2010, 2009 and 2008 are as follows:

(In thousands)

Year Ended November 30,	2010	2009	2008
Net income	\$ 48,571	\$ 32,755	\$ 46,296
Depreciation, amortization and other noncash charges	59,538	61,942	49,432
Tax benefit(deficiency) from stock plans	3,419	(310)	1,123
Changes in operating assets and liabilities	(15,327)	(31,629)	(9,669)
Total	\$ 96,201	\$ 62,758	\$ 87,182

The changes in operating assets and liabilities in fiscal 2009 were affected by the payments of assumed liabilities acquired as part of the acquisition of IONA.

Our gross accounts receivable increased by \$17.7 million from the end of fiscal 2009. Days sales outstanding (DSO) in accounts receivable increased year over year by nine days to 74 days at the end of fiscal 2010 as compared to 65 days at the end of fiscal 2009 and 61 days at the end of fiscal 2008. We target a DSO range of 60 to 80 days.

Cash Flows from Investing and Financing Activities

We purchased \$9.7 million of property and equipment in fiscal year 2010, \$7.4 million in fiscal year 2009 and \$8.2 million in fiscal year 2008. The purchases in each fiscal year consisted primarily of computer equipment, software and building and leasehold improvements. We financed these purchases primarily from cash generated from operations.

We purchased and retired 1,496,000 shares of our common stock for \$29.3 million in fiscal year 2010, 396,000 shares for \$5.2 million in fiscal year 2009, and 5,868,000 shares for \$111.5 million in fiscal year 2008. We repurchased substantially all available shares under our previous Board authorized share repurchase program.

On October 1, 2010, our Board of Directors authorized, for the period from October 1, 2010 through September 30, 2011, the purchase of up to \$100 million of our common stock, at such times that management deems such purchases to be an effective use of cash.

On January 8, 2010, we acquired Savvion, Inc., a privately-held company, for an aggregate purchase price of \$49.2 million. Savvion is a provider of business process management software. The Savvion product lines became part of our Enterprise Business Solutions business unit. The acquisition was accounted for as a purchase, and accordingly, the results of operations of Savvion were included in our operating results from the date of acquisition. We paid the purchase price in cash from available funds.

We had no acquisitions in fiscal year 2009.

In fiscal year 2008, we completed three acquisitions at a total cost of \$140.3 million, net of cash acquired. Each of these acquisitions was accounted for as a purchase, and accordingly, the results of operations of the acquired companies were included in our operating results from the date of acquisition. In each case, the purchase price was paid in cash from available funds. See Note 13 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K for further information.

We expect to continue to pursue additional acquisitions during fiscal 2011, although we can make no assurances that we will be able to identify and complete any acquisitions. Our acquisition strategy has been to expand our business and/or add complimentary products and technologies to our existing product sets. To the extent that we complete any future acquisitions, our cash position could be reduced.

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

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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 will be sufficient to finance our operations and meet our foreseeable cash requirements (including planned capital expenditures, acquisitions, lease commitments, restructuring obligations, debt payments and other long-term obligations) through at least the next twelve months.

Revenue Backlog

Our aggregate revenue backlog at November 30, 2010 was approximately \$174 million, of which \$142 million was included on our balance sheet as deferred revenue, primarily related to unexpired maintenance and support contracts. At November 30, 2010, the remaining amount of backlog of approximately \$32 million was composed of multi-year licensing arrangements of approximately \$16 million and open software license orders received but not shipped of approximately \$16 million. Our backlog of orders not included on the balance sheet is not subject to our normal accounting controls for information that is either reported in or derived from our basic financial statements.

Our aggregate revenue backlog at November 30, 2009 was approximately \$186 million, of which \$146 million was included on our balance sheet as deferred revenue, primarily related to unexpired maintenance and support contracts. At November 30, 2009, the remaining amount of backlog of approximately \$40 million was composed of multi-year licensing arrangements of approximately \$22 million and open software license orders received but not shipped of approximately \$18 million.

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 frequently have open software license orders at the end of the quarter which have not shipped or have otherwise not met all the required criteria for revenue recognition. Although the amount of open software license orders may vary at any time, we generally do not believe that the amount, if any, of such software license orders at the end of a particular quarter is a reliable indicator of future performance. In addition, there is no industry standard for the definition of backlog and there may be an element of estimation in determining the amount. As such, direct comparisons with other companies may be difficult or potentially misleading.

Off-Balance Sheet Arrangements

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

Contractual Obligations

The following table details our contractual obligations as of November 30, 2010:

(In thousands)

		Payments Due by Period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations	Total				
Long-term debt	\$ 664	\$ 388	\$ 276	\$	\$
Interest payment on long-term debt	48	39	9		
Operating leases	25,594	11,286	12,727	1,570	11
Unrecognized tax benefits (1)	1,219				

Total	\$ 27,525	\$ 11,713	\$ 13,012	\$ 1,570	\$ 11
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- (1) This liability is not subject to fixed payment terms and the amount and timing of payments, if any, which we will make related to this liability are not known. See Note 10 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K for additional information.

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Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. We make estimates and assumptions in the preparation of our consolidated financial statements that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates. We have identified the following critical accounting policies that require the use of significant judgments and estimates in the preparation of our consolidated financial statements. This listing is not a comprehensive list of all of our accounting policies. For further information regarding the application of these and other accounting policies, see Note 1 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

Revenue Recognition

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

Allowance for Doubtful Accounts

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

Goodwill and Intangible Assets

We have goodwill and net intangible assets of \$321.6 million at November 30, 2010. We assess the impairment of goodwill on an annual basis and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. We would record an impairment charge if such an assessment were to indicate that the fair value of such assets was less than the carrying value. When we evaluate potential impairments outside of our annual measurement date, judgment is required in determining whether an event has occurred that may impair the value of goodwill or intangible assets. Factors that could indicate that an impairment may exist include significant underperformance relative to plan or long-term projections, significant changes in business strategy, significant negative industry or economic trends or a significant decline in our stock price or in the value of one of our reporting units for a sustained period of time. We utilize either discounted cash flow models or other valuation models, such as comparative transactions and market multiples, to determine the fair value of our reporting units. The determination of reporting units also requires management judgment. We consider whether a reporting unit exists within a reportable segment based on the availability of discrete financial information that is regularly reviewed by segment management. We utilize undiscounted cash flows to determine the fair value of our intangible assets. We must make assumptions about future cash flows, future operating plans, discount rates and other factors in those models. Different assumptions and judgment determinations could yield different conclusions that would result in an impairment charge to income in the period that such change or determination was made.

Income Tax Accounting

We have a net deferred tax asset of \$41.1 million at November 30, 2010. 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

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of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period that such change or determination was made.

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

Stock-Based Compensation

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

Investments in Debt Securities

We have approximately \$39.6 million at fair value (par value of \$46.2 million) in investments related to ARS, all of which are classified as noncurrent at November 30, 2010. For each of our ARS, we evaluate the risks related to the structure, collateral and liquidity of the investment, and forecast the probability of issuer default, auction failure and a successful auction at par, or a redemption at par, for each future auction period. Based on the results of this assessment, we record either a mark-to-market adjustment in accumulated other comprehensive income or an other-than-temporary impairment charge in other income in our statement of operations. 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.

Recent Accounting Pronouncements

Performing Step 2 of the Goodwill Impairment Test

In December 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (Topic 350) Intangibles Goodwill and Other (ASU 2010-28). ASU 2010-28 amends the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2 if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. We will adopt ASU 2010-28 in fiscal 2012 and any impairment to be recorded upon adoption will be recognized as an adjustment to our beginning retained earnings. We are currently evaluating the impact of the pending adoption of ASU 2010-28 on our consolidated financial statements.

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Disclosure Requirements Related to Fair Value Measurements

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, Improving Disclosures about Fair Value Measurements (Topic 820) Fair Value Measurements and Disclosures (ASU 2010-06), to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, and the activity in Level 3 fair value measurements (as defined in Note 3 below). Certain provisions of this update will be effective for us in fiscal 2011 and we are currently evaluating the impact of the pending adoption of ASU 2010-06 on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

We generally use foreign currency option contracts that are not designated as hedging instruments to hedge economically a portion of forecasted international cash flows for up to one year in the future. 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. All foreign currency option contracts are recorded at fair value in other current assets on the balance sheet at the end of each reporting period and expire within one year. In fiscal 2010, mark-to-market gains of \$3.1 million on foreign currency option contracts were recorded in other income in the statement of operations.

We also use forward contracts that are not designated as hedging instruments to hedge economically the impact of the variability in exchange rates on accounts receivable and collections denominated in certain foreign currencies. We generally do not hedge the net assets of our international subsidiaries. All forward contracts are recorded at fair value in other current assets on the balance sheet at the end of each reporting period and expire within 90 days. In fiscal 2010, realized and unrealized losses of \$7.2 million from our forward contracts were recognized in other income in the statement of operations. These losses were substantially offset by realized and unrealized gains on the offsetting positions.

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 20% (excluding any offsetting positive impact from our ongoing hedging programs), although the actual effects may differ materially from the hypothetical analysis.

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The table below details outstanding foreign currency forward and option contracts at November 30, 2010 where the notional amount is determined using contract exchange rates:

(In thousands)

	Notional Value	Fair Value
Foreign currency forward contracts to sell U.S. dollars	\$ 36,856	\$ 317
Foreign currency forward contracts to purchase U.S. dollars	13,837	54
Foreign currency option contracts to purchase U.S. dollars	22,775	496
Total	\$ 73,468	\$ 867

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

(In thousands)

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

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Item 8. Financial Statements and Supplementary Data
Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Progress Software Corporation and subsidiaries (the Company) as of November 30, 2010 and 2009, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended November 30, 2010. 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, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of November 30, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 31, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts

January 31, 2011

Table of Contents**Consolidated Financial Statements
Consolidated Balance Sheets***(In thousands, except share data)*

November 30,	2010	2009
Assets		
Current assets:		
Cash and equivalents	\$ 286,559	\$ 175,873
Short-term investments	35,837	48,248
Total cash and short-term investments	322,396	224,121
Accounts receivable (less allowances of \$4,980 in 2010 and \$7,650 in 2009)	119,273	98,872
Other current assets	27,910	20,193
Deferred tax assets	14,279	14,433
Total current assets	483,858	357,619
Property and equipment, net	58,207	59,625
Intangible assets, net	83,208	86,389
Goodwill	238,343	218,498
Deferred tax assets	29,214	30,638
Investments in auction rate securities	39,643	40,714
Other assets	4,350	5,367
Total	\$ 936,823	\$ 798,850
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 388	\$ 358
Accounts payable	13,176	12,400
Accrued compensation and related taxes	44,920	44,472
Income taxes payable	4,083	4,082
Other accrued liabilities	36,148	24,369
Short-term deferred revenue	138,961	141,243
Total current liabilities	237,676	226,924
Long-term debt, less current portion	276	664
Long-term deferred revenue	2,908	4,511
Deferred tax liabilities	2,378	3,445
Other noncurrent liabilities	5,253	7,854
Commitments and contingencies (note 11)		
Shareholders' equity:		

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Preferred stock, \$.01 par value; authorized, 1,000,000 shares; issued, none		
Common stock, \$.01 par value, and additional paid-in capital; authorized, 100,000,000 shares; issued and outstanding, 66,528,411 in 2010 and 60,906,047 in 2009	347,604	247,265
Retained earnings, including accumulated other comprehensive loss of \$(9,138) in 2010 and \$(3,385) in 2009	340,728	308,187
Total shareholders' equity	688,332	555,452
Total	\$ 936,823	\$ 798,850

See notes to consolidated financial statements.

Table of Contents**Consolidated Statements of Income***(In thousands, except per share data)*

Year Ended November 30,	2010	2009	2008
Revenue:			
Software licenses	\$ 192,568	\$ 175,566	\$ 192,217
Maintenance and services	336,552	318,571	323,343
Total revenue	529,120	494,137	515,560
Costs of revenue:			
Cost of software licenses	7,923	7,776	9,536
Cost of maintenance and services	71,290	65,967	69,321
Amortization of acquired intangibles for purchased technology	20,109	19,459	13,032
Total costs of revenue	99,322	93,202	91,889
Gross profit	429,798	400,935	423,671
Operating expenses:			
Sales and marketing	168,788	182,227	195,947
Product development	90,643	93,262	87,788
General and administrative	51,805	59,612	62,084
Amortization of other acquired intangibles	10,449	9,047	6,426
Restructuring expense	39,975	5,215	6,915
Acquisition-related expenses	468	440	128
Total operating expenses	362,128	349,803	359,288
Income from operations	67,670	51,132	64,383
Other income (expense):			
Interest income and other	3,132	2,702	10,385
Foreign currency gain (loss)	626	(2,654)	(758)
Total other income, net	3,758	48	9,627
Income before provision for income taxes	71,428	51,180	74,010
Provision for income taxes	22,857	18,425	27,714
Net income	\$ 48,571	\$ 32,755	\$ 46,296
Earnings per share:			
Basic	\$ 0.76	\$ 0.54	\$ 0.75
Diluted	\$ 0.73	\$ 0.53	\$ 0.72

Weighted average shares outstanding:

Basic	63,957	60,155	61,553
Diluted	66,212	61,562	64,016

See notes to consolidated financial statements.

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Table of Contents**Consolidated Statements of Shareholders' Equity***(In thousands)*

Year Ended November 30,	2010	2009	2008
Common stock and additional paid-in capital:			
Balance, beginning of year	\$ 247,265	\$ 216,261	\$ 240,647
Exercise of employee stock options	87,461	9,054	18,820
Issuance of stock under the employee stock purchase plan	6,209	5,740	6,685
Repurchase and retirement of common stock	(19,059)	(4,794)	(72,057)
Present value of payments for re-pricing of stock options		(42)	
Stock-based compensation	18,121	21,536	19,318
Withholding tax payments related to net issuance of restricted stock units	(1,858)	(264)	
Tax benefit (deficiency) from stock plans	9,465	(226)	2,848
Balance, end of year	347,604	247,265	216,261
Retained earnings:			
Balance, beginning of year	308,187	265,191	277,227
Net income	48,571	32,755	46,296
Other comprehensive income:			
Unrealized gains (losses) on investments	(207)	319	(4,685)
Translation adjustments	(5,546)	10,330	(14,181)
Comprehensive income	42,818	43,404	27,430
Adoption of new accounting standard for uncertain tax positions			(12)
Repurchase and retirement of common stock	(10,277)	(408)	(39,454)
Balance, end of year	340,728	308,187	265,191
Total shareholders' equity	\$ 688,332	\$ 555,452	\$ 481,452

See notes to consolidated financial statements.

Table of Contents**Consolidated Statements of Cash Flows***(In thousands)*

Year Ended November 30,	2010	2009	2008
Cash flows from operating activities:			
Net income	\$ 48,571	\$ 32,755	\$ 46,296
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	10,859	11,900	10,657
Amortization of intangible assets	30,558	28,506	19,457
Stock-based compensation	18,121	21,536	19,318
Tax benefit (deficiency) from stock plans	9,465	(226)	2,848
Excess tax benefit from stock plans	(6,046)	(84)	(1,725)
Allowances for accounts receivable	(1,400)		(205)
Deferred income taxes	4,004	(367)	(3,956)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(18,971)	2,281	(3,828)
Other assets	(3,159)	(352)	7,268
Accounts payable and accrued expenses	12,469	(26,795)	(6,866)
Income taxes payable	(7,347)	3,300	(5,162)
Deferred revenue	(923)	(9,696)	3,080
Net cash provided by operating activities	96,201	62,758	87,182
Cash flows from investing activities:			
Purchases of investments available-for-sale	(38,632)	(80,612)	(143,499)
Sales and maturities of investments available-for-sale	33,318	72,133	299,328
Redemptions at par by issuers of auction rate securities available-for-sale	1,235	6,940	55,425
Redemptions and sales at par of auction rate securities trading	17,740	260	
Purchases of property and equipment	(9,664)	(7,369)	(8,213)
Acquisitions, net of cash acquired	(49,186)		(140,283)
Increase in other noncurrent assets	26	(531)	(208)
Net cash provided by (used for) investing activities	(45,163)	(9,179)	62,550
Cash flows from financing activities:			
Issuance of common stock	93,670	14,752	25,505
Withholding tax payments related to net issuance of restricted stock units	(1,858)	(264)	
Repurchase of common stock	(29,336)	(5,202)	(111,511)
Excess tax benefit from stock plans	6,046	84	1,725
Payment of long-term debt	(358)	(330)	(305)
Net cash provided by (used for) financing activities	68,164	9,040	(84,586)
Effect of exchange rate changes on cash	(8,516)	16,769	(22,540)

Net increase in cash and equivalents	110,686	79,388	42,606
Cash and equivalents, beginning of year	175,873	96,485	53,879
Cash and equivalents, end of year	\$ 286,559	\$ 175,873	\$ 96,485

See notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

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

The Company

We are a global enterprise software company that enables organizations to achieve higher levels of business performance by improving operational responsiveness. We offer a portfolio of best-in-class, real-time software solutions providing enterprises with significantly improved operational responsiveness within events and activities that they participate. Our products are generally sold as perpetual licenses, but certain product lines and business activities also use term or subscription licensing models. We also provide product maintenance, consulting, training, and customer support services.

Accounting Principles

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

Reclassifications

We have reclassified certain amounts for prior years to conform to the current year presentation. We separately disclosed amounts for withholding tax payments related to net issuance of restricted stock units in the consolidated statement of shareholders' equity and the consolidated statement of cash flows. We separately disclosed amounts for redemptions and sales at par of auction rate securities in the consolidated statement of cash flows. We also conformed the summary table presentation in Note 2 – Investments by adding cash and money market funds.

Use of Estimates

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

Basis of Consolidation

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

Common Stock Split

On December 20, 2010, the Board of Directors approved a three-for-two common stock split in the form of a stock dividend. Shareholders received one additional share for every two shares held. The distribution was made on January 28, 2011 to shareholders of record at the close of business on January 12, 2011. All share and per share amounts have been restated to reflect the stock split.

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 other comprehensive income (loss), a component of shareholders' equity.

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

Revenue Recognition

We recognize software license revenue upon shipment of the product or, if delivered electronically, when the customer has the right to access the software, provided that the license fee is fixed or determinable, persuasive evidence of an arrangement exists and collection is probable. We do not license our software with a right of return and generally do not license our software with

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conditions of acceptance. If an arrangement does contain conditions of acceptance, we defer recognition of the revenue until the acceptance criteria are met or the period of acceptance has passed. If software licenses are sold on a subscription basis, we recognize the license fee ratably over the subscription period. We generally recognize revenue for products distributed through application partners and distributors when sold through to the end-user.

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

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

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

Warranty Costs

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

Allowance for Doubtful Accounts

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

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

(In thousands)

Year Ended November 30,	2010	2009	2008
Beginning balance	\$ 7,650	\$ 7,944	\$ 9,458
Benefit to costs and expenses	(1,400)		(205)
Write-offs and other	(981)	(1,029)	(406)
Translation adjustments	(289)	735	(903)
Ending balance	\$ 4,980	\$ 7,650	\$ 7,944

Cash Equivalents and Investments

Cash equivalents include short-term, highly liquid investments purchased with remaining maturities of three months or less. We classify investments, which consist of auction rate securities (ARS), state and municipal obligations, U.S. government securities, certificates of deposit and corporate bonds and notes, as investments available-for-sale, which are stated at fair value. In fiscal 2009, certain student loan ARS were classified as trading. We include aggregate unrealized holding gains and losses, net of taxes, on available-for-sale securities as a component of accumulated other comprehensive income in shareholders' equity.

Supplemental Cash Flow Information

In fiscal years 2010, 2009 and 2008, we paid \$15.9 million, \$16.5 million and \$29.8 million in income taxes, respectively, net of refunds received. In fiscal year 2008, we received refunds from the Internal Revenue Service

(IRS) of \$1.8 million related to the filing of original tax returns and amended tax returns from prior years. Refunds in fiscal years 2010 and 2009 were insignificant.

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In each of the fiscal years 2010, 2009 and 2008, cash paid for interest on long-term debt totaled \$0.1 million.

Concentration of Credit Risk

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

Fair Value of Financial Instruments

The carrying amount of our cash and equivalents, accounts receivable and accounts payable approximates fair value due to the short-term nature of these instruments. We base the fair value of short-term investments on quoted market prices at the balance sheet date. The fair value of noncurrent investments is based on a valuation methodology utilizing discounted cash flow models (Note 2) due to the absence of quoted market prices. The carrying value of long-term debt (Note 11) approximates its fair value. We measure and record derivative financial instruments at fair value (Note 4). We elect fair value measurement for certain financial assets on a case-by-case basis.

Derivative Instruments

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

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

Property and Equipment

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

Product Development Costs

We expense product development costs as incurred. We did not capitalize any software development costs in fiscal years 2010, 2009 and 2008.

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 five years for options, and three years for restricted stock units and restricted stock awards.

Goodwill, Other Intangible Assets and Long-lived Assets

Goodwill is the amount by which the cost of acquired net assets in a business acquisition exceeded the fair value of net identifiable assets on the date of purchase. We evaluate goodwill or other intangible assets with indefinite useful lives, if any, for impairment annually or on an interim basis when events and circumstances arise that indicate an impairment may have

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occurred. To conduct these impairment tests of goodwill, we compare the fair value of a reporting unit to its carrying value. If the reporting unit's carrying value exceeds its fair value, we record an impairment loss to the extent that the carrying value of goodwill exceeds its implied fair value. We estimate the fair values of our reporting units using discounted cash flow models or other valuation models, such as comparative transactions and market multiples. During fiscal 2010 and fiscal 2009, we completed our annual testing for impairment of goodwill and, based on those tests, concluded that no impairment of goodwill existed. We perform our annual testing on December 15th of each year. In addition, there were no triggering events that required an interim impairment test in fiscal 2010. Long-lived assets primarily include property and equipment and intangible assets with finite lives (purchased technology, capitalized software and customer-related intangibles). We periodically review long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. We base each impairment test on a comparison of the undiscounted cash flows to the carrying value of the asset. If impairment is indicated, we write down the asset to its estimated fair value based on a discounted cash flow analysis.

Income Taxes

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

Comprehensive Income

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

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

(In thousands)

November 30,	2010	2009
Cumulative translation adjustment	\$ (4,676)	\$ 870
Accumulated unrealized losses on investments	(4,462)	(4,255)
Total accumulated comprehensive loss	\$ (9,138)	\$ (3,385)

The tax effect on accumulated unrealized losses on investments was \$2.1 million and \$2.4 million at November 30, 2010 and 2009, respectively.

Subsequent Events

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

Recent Accounting Pronouncements***Performing Step 2 of the Goodwill Impairment Test***

In December 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (Topic 350) Intangibles Goodwill and Other* (ASU 2010-28). ASU 2010-28 amends the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2 if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. We will adopt ASU 2010-28 in fiscal 2012 and any impairment to be recorded upon adoption will be recognized as an adjustment to our beginning retained earnings. We are currently evaluating the impact of the pending adoption of ASU 2010-28 on our consolidated financial statements.

Table of Contents***Disclosure Requirements Related to Fair Value Measurements***

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements (Topic 820) Fair Value Measurements and Disclosures* (ASU 2010-06), to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, and the activity in Level 3 fair value measurements (as defined in Note 3 below). Certain provisions of this update will be effective for us in fiscal 2011 and we are currently evaluating the impact of the pending adoption of ASU 2010-06 on our consolidated financial statements.

Note 2: Investments

A summary of our cash, cash equivalents and available-for-sale investments at November 30, 2010 is as follows:

(In thousands)

Security Type	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	\$ 154,718	\$	\$	\$ 154,718
Money market funds	122,415			122,415
State and municipal bond obligations	25,484	207	(10)	25,681
US government and agency securities	10,000			10,000
Auction rate securities municipal bonds	27,200		(3,560)	23,640
Auction rate securities student loans	19,000		(2,997)	16,003
Corporate bonds	9,418		(21)	9,397
Certificates of deposit	185			185
Total	\$ 368,420	\$ 207	\$ (6,588)	\$ 362,039

Such amounts are classified on our balance sheet at November 30, 2010 as follows:

(In thousands)

Security Type	Cash and Equivalents	Short-term Investments	Long-term Investments
Cash	\$ 154,718	\$	\$
Money market funds	122,415		
State and municipal bond obligations	1,926	23,755	
US government and agency securities	7,500	2,500	
Auction rate securities municipal bonds			23,640
Auction rate securities student loans			16,003
Corporate bonds		9,397	
Certificates of deposit		185	
Total	\$ 286,559	\$ 35,837	\$ 39,643

For each of the auction rate securities (ARS), we evaluated the risks related to the structure, collateral and liquidity of the investment, and forecasted the probability of issuer default, auction failure and a successful auction at par or a redemption at par for each future auction period. The weighted average cash flow for each period was then discounted back to present value for each security. Based on this methodology, we determined that the fair value of our non-current ARS investments is \$39.6 million, and the temporary impairment charge recorded at November 30, 2010 in accumulated other comprehensive loss to reduce the value of our available-for-sale ARS investments was \$6.6 million. During fiscal 2010, a total of \$17.7 million of ARS classified as trading securities were repurchased at

par by UBS, the investment firm that brokered the original purchases of these ARS.

We will not be able to access these remaining funds until a future auction for these ARS is successful, we sell the securities in a secondary market, or they are redeemed by the issuer. As such, these remaining investments currently lack short-term liquidity and are therefore classified as long-term investments on the balance sheet at November 30, 2010. However, based on our cash and short-term investments balance of \$322.4 million and expected operating cash flows, we do not anticipate the lack of liquidity associated with these ARS to adversely affect our ability to conduct business and believe we have the ability to hold the affected securities throughout the currently estimated recovery period. Therefore, the impairment on these securities is

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considered only temporary in nature. If the credit rating of either the security issuer or the third-party insurer underlying the investments deteriorates significantly, we may be required to adjust the carrying value of the ARS through an other-than-temporary impairment charge to earnings.

A summary of our cash, cash equivalents, available-for-sale and trading investments at November 30, 2009 is as follows:

(In thousands)

Security Type	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	\$ 115,398	\$	\$	\$ 115,398
Money market funds	57,619			57,619
State and municipal bond obligations	10,371	272	(3)	10,640
US government and agency securities	11,072			11,072
Auction rate securities municipal bonds	27,950		(4,205)	23,745
Auction rate securities student loans	19,500		(2,531)	16,969
Certificates of deposit	11,653		(1)	11,652
Subtotal cash and available-for-sale securities	253,563	272	(6,740)	247,095
Put option related to ARS rights offering		1,596		1,596
Auction rate securities student loans	17,740		(1,596)	16,144
Subtotal trading securities	17,740	1,596	(1,596)	17,740
Total	\$ 271,303	\$ 1,868	\$ (8,336)	\$ 264,835

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

(In thousands)

Security Type	Cash and Equivalents	Short-term Investments	Long-term Investments
Cash	\$ 115,398	\$	\$
Money market funds	57,619		
State and municipal bond obligations		10,640	
US government and agency securities	2,500	8,572	
Auction rate securities municipal bonds			23,745
Auction rate securities student loans			16,969
Certificates of deposit	356	11,296	
Subtotal cash and available-for-sale securities	175,873	30,508	40,714
Put option related to ARS rights offering		1,596	
Auction rate securities student loans		16,144	
Subtotal trading securities		17,740	
Total	\$ 175,873	\$ 48,248	\$ 40,714

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

(In thousands)

November 30,	2010	2009
Due in one year or less (1)	\$ 70,285	\$ 80,396
Due after one year	14,621	9,826
Total	\$ 84,906	\$ 90,222

(1) Includes ARS which are tendered for interest-rate setting purposes periodically throughout the year. Beginning in February 2008, auctions for these securities began to fail, and therefore these investments currently lack short-term liquidity. The remaining final maturities of these securities range from 13 to 32 years.

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Investments with continuous unrealized losses for less than twelve months and twelve months or greater and their related fair values are as follows at November 30, 2010:

(In thousands)

Security Type	Fair Value	Less Than 12 Months Unrealized Losses	Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unrealized Losses
State and municipal bond obligations	\$ 6,506	\$ (10)	\$	\$	\$ 6,506	\$ (10)
Auction rate securities municipal bonds			23,640	(3,560)	23,640	(3,560)
Auction rate securities student loans			16,003	(2,997)	16,003	(2,997)
Corporate bonds	9,397	(21)			9,397	(21)
Total	\$ 15,903	\$ (31)	\$ 39,643	\$ (6,557)	\$ 55,546	\$ (6,588)

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

(In thousands)

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

The unrealized losses associated with state and municipal obligations and corporate bonds and notes are attributable to changes in interest rates. The unrealized losses associated with ARS are discussed above. Management does not believe any unrealized losses represent other-than-temporary impairments based on our evaluation of available evidence as of November 30, 2010.

Note 3: Fair Value Measurements

The following table details the fair value measurements within the fair value hierarchy of our financial assets at November 30, 2010:

(In thousands)

Fair Value Measurements at the Reporting Date Using
Quoted
Prices in
Significant

Description	Nov. 30, 2010	Active Markets Using Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Money market funds	\$ 122,415	\$ 122,415	\$	\$
State and municipal bond obligations	25,681		25,681	
US government and agency securities	10,000		10,000	
Auction rate securities - municipal bonds	23,640			23,640
Auction rate securities - student loans	16,003			16,003
Corporate bonds	9,397		9,397	
Certificates of deposit	185		185	
Foreign exchange derivatives	867		867	
Total	\$ 208,188	\$ 122,415	\$ 46,130	\$ 39,643

Table of Contents***Immaterial Restatement of Fair Value Measurements***

During the preparation of the fiscal 2010 consolidated financial statements, we determined that at November 30, 2009, certain investments classified as Level 1 measurements within the fair value hierarchy were in error and should have been classified as Level 2. The investments, consisting of state and municipal bond obligations, US government and agency securities and certificates of deposit, totaled \$33.4 million. In addition, we should have included money market funds of \$57.6 million as part of the Level 1 measurements.

The following table details the fair value measurements within the fair value hierarchy of our financial assets at November 30, 2009 (as restated):

(In thousands)

Description	Nov. 30, 2009	Fair Value Measurements at the Reporting Date Using		
		Quoted Prices in Active Markets Using Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 57,619	\$ 57,619	\$	\$
State and municipal bond obligations	10,640		10,640	
US government and agency securities	11,072		11,072	
Auction rate securities - municipal bonds	23,745			23,745
Auction rate securities - student loans	33,113			33,113
Certificates of deposit	11,652		11,652	
Put option related to ARS rights offering	1,596			1,596
Foreign exchange derivatives	(12)		(12)	
Total	\$ 149,425	\$ 57,619	\$ 33,352	\$ 58,454

The valuation technique used to measure fair value for our Level 1 and Level 2 assets is a market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets. The valuation technique used to measure fair value for our Level 3 assets is an income approach, where the expected weighted average future cash flows were discounted back to present value for each asset.

The following table reflects the activity for our financial assets measured at fair value using Level 3 inputs for fiscal 2010:

(In thousands)

	Level 3 Financial Assets
Balance, December 1, 2009	\$ 58,454
Redemptions and repurchases at par	(18,990)
Unrealized gains included in accumulated other comprehensive income	179
Realized gain on ARS trading securities included in other income	1,596

Realized loss on put option related to ARS rights offering included in other income	(1,596)
Balance, Nov. 30, 2010	\$ 39,643

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The following table reflects the activity for our financial assets measured at fair value using Level 3 inputs for fiscal 2009:

(In thousands)

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

Note 4: Derivative Instruments

We generally use foreign currency option contracts that are not designated as hedging instruments to hedge economically a portion of forecasted international cash flows for up to one year in the future. All foreign currency option contracts are recorded at fair value in other current assets on the balance sheet at the end of each reporting period and expire within one year. In fiscal 2010, mark-to-market gains of \$3.1 million on foreign currency option contracts were recorded in other income in the statement of operations.

We also use forward contracts that are not designated as hedging instruments to hedge economically the impact of the variability in exchange rates on accounts receivable and collections denominated in certain foreign currencies. We generally do not hedge the net assets of our international subsidiaries. All forward contracts are recorded at fair value in other current assets on the balance sheet at the end of each reporting period and expire within 90 days. In fiscal 2010, realized and unrealized losses of \$7.2 million from our forward contracts were recognized in other income in the statement of operations. These losses were substantially offset by realized and unrealized gains on the offsetting positions.

The table below details outstanding foreign currency forward and option contracts at November 30, 2010 where the notional amount is determined using contract exchange rates:

(In thousands)

	Notional Value	Fair Value
Foreign currency forward contracts to sell U.S. dollars	\$ 36,856	\$ 317
Foreign currency forward contracts to purchase U.S. dollars	13,837	54
Foreign currency option contracts to purchase U.S. dollars	22,775	496
Total	\$ 73,468	\$ 867

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

(In thousands)

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

Table of Contents**Note 5: Property and Equipment**

Property and equipment consists of the following:

(In thousands)

November 30,	2010	2009
Computer equipment and software	\$ 54,556	\$ 59,850
Land, buildings and leasehold improvements	57,307	57,389
Furniture and fixtures	9,230	9,904
Total	121,093	127,143
Less accumulated depreciation and amortization	62,886	67,518
Property and equipment, net	\$ 58,207	\$ 59,625

Note 6: Intangible Assets and Goodwill

Intangible assets are composed of the following significant classes at November 30, 2010:

(In thousands)

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	\$ 136,151	\$ 80,965	\$ 55,186
Customer-related and other	75,026	47,004	28,022
Total	\$ 211,177	\$ 127,969	\$ 83,208

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

(In thousands)

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

We amortize intangible assets assuming no expected residual value. The weighted average amortization period for all intangible assets is 6.6 years, including 6.5 years for purchased technology and 6.8 years for customer-related and other intangible assets. Amortization expense related to these intangible assets was \$30.6 million, \$28.5 million and \$19.5 million in fiscal years 2010, 2009 and 2008, respectively. Future amortization expense from intangible assets held as of November 30, 2010, is as follows:

(In thousands)

2011	\$ 23,931
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2012	19,873
2013	12,875
2014	10,331
2015	9,082
Thereafter	7,139
Total	\$ 83,231

There were no material impairments of intangible assets during any of the periods presented.

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Changes in the carrying amount of goodwill for fiscal year 2010 by segment are as follows:

(In thousands)

	Balance Dec. 1, 2009	Acquisitions Accounting Adjustments	Write-down	Translation Adjustments	Balance Nov. 30, 2010
Application Development Platform segment	\$ 61,005	\$		\$ 59	\$ 61,064
Enterprise Business Solutions segment	57,124	19,705			76,829
Enterprise Data Solutions segment	100,369			81	100,450
Total	\$ 218,498	\$ 19,705		\$ 140	\$ 238,343

The increase in goodwill during fiscal 2010 was related to the acquisition of Savvion in January 2010. Changes in the carrying amount of goodwill for fiscal year 2009 by segment are as follows:

(In thousands)

	Balance Dec. 1, 2008	Purchase Accounting Adjustments	Write-down	Translation Adjustments	Balance Nov. 30, 2009
Application Development Platform segment	\$ 72,994	\$ (12,629)		\$ 640	\$ 61,005
Enterprise Business Solutions segment	60,305	(3,181)			57,124
Enterprise Data Solutions segment	100,086			283	100,369
Total	\$ 233,385	\$ (15,810)		\$ 923	\$ 218,498

Note 7: Earnings Per Share

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

(In thousands, except per share data)

Year Ended November 30,	2010	2009	2008
Net income	\$ 48,571	\$ 32,755	\$ 46,296
Weighted average shares outstanding	63,957	60,155	61,553
Dilutive impact from common stock equivalents	2,255	1,407	2,463
Diluted weighted average shares outstanding	66,212	61,562	64,016
Basic earnings per share	\$ 0.76	\$ 0.54	\$ 0.75

Diluted earnings per share	\$ 0.73	\$ 0.53	\$ 0.72
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We excluded stock awards representing approximately 3,870,000 shares, 9,573,000 shares and 5,160,000 shares of common stock from the calculation of diluted earnings per share in fiscal years 2010, 2009 and 2008, respectively, because these awards were anti-dilutive.

Note 8: Shareholders' Equity

Preferred Stock

Our Board of Directors is authorized to establish one or more series of preferred stock and to fix and determine the number and conditions of preferred shares, including dividend rates, redemption and/or conversion provisions, if any, preferences and voting rights. At November 30, 2010, we have not issued any series of preferred stock.

Table of Contents**Common Stock**

A summary of share activity is as follows:

(In thousands)

Year Ended November 30,	2010	2009	2008
Beginning balance	60,906	59,856	63,570
Shares issued	7,204	1,479	2,156
Shares repurchased and retired	(1,496)	(396)	(5,868)
Shares surrendered by employees to pay taxes related to stock-based awards	(86)	(18)	
Shares forfeited		(15)	(2)
Ending balance	66,528	60,906	59,856

We issued 24,000 shares in each of fiscal 2009 and 2010 with a fair value of \$0.4 million and \$0.5 million, respectively, to members of the Board the Directors.

Restricted stock totaling 7,500 shares with a fair value of \$0.1 million vested during fiscal 2010. All outstanding restricted stock has vested as of November 30, 2010.

There were 53,000 deferred stock units (DSUs) outstanding at November 30, 2010. Each DSU represents one share of our common stock. All DSU grants have been made to non-employee members of our Board of Directors. The DSUs are fully vested on date of grant, but do not have voting rights and can only be converted into common stock when the recipient ceases being a member of the Board. No DSUs were granted in fiscal 2010.

Common Stock Repurchases

In fiscal years 2010, 2009 and 2008, we purchased and retired 1,496,000 shares, 396,000 shares and 5,868,000 shares, respectively, of our common stock for \$29.3 million, \$5.2 million and \$111.5 million, respectively.

In fiscal 2010, we repurchased substantially all available shares under our previous Board authorized share repurchase program. On October 1, 2010, the Board of Directors authorized, for the period from October 1, 2010 through September 30, 2011, the purchase of up to \$100 million of our common stock, at such times that management deems such purchases to be an effective use of cash.

Stock Options and Stock Awards

We currently have one shareholder-approved stock plan from which we can issue equity securities, including options, deferred stock awards and restricted stock. In fiscal 2008, our shareholders approved the 2008 Stock Option and Incentive Plan, which replaced the 1992 Incentive and Nonqualified Stock Option Plan, the 1994 Stock Incentive Plan and the 1997 Stock Incentive Plan (collectively, the Previous Plans). The Previous Plans solely exist to satisfy outstanding options previously granted under these plans. The 2008 Plan permits the granting of stock awards to officers, members of the Board of Directors, employees and consultants. Awards under the 2008 Plan may include nonqualified stock options, incentive stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals, deferred stock units and stock appreciation rights. The options granted prior to fiscal 2005 generally vest over five years and have terms of ten years. Options granted since fiscal 2005 generally vest over five years and have terms of seven years. A total of 47,010,000 shares are issuable under these plans, of which 7,209,000 shares were available for grant at November 30, 2010.

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

of seven years. A total of 9,750,000 shares are issuable under the 2002 Plan, of which 731,000 shares were available for grant at November 30, 2010.

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The 2004 Plan is reserved for persons to whom we may issue securities as an inducement to become employed by us pursuant to the rules and regulations of the NASDAQ Stock Market. Awards under the 2004 Plan may include nonqualified stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. The options granted prior to fiscal 2005 generally vest over five years and have terms of ten years. The options granted since fiscal 2005 generally vest over five years and have terms of seven years. A total of 1,500,000 shares are issuable under the 2004 Plan, of which 540,000 shares were available for grant at November 30, 2010.

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

(In thousands, except per share data)

	Number of Shares		Weighted Average Exercise Price
Options outstanding, December 1, 2009	15,164	\$	15.38
Granted	2,508		21.40
Exercised	(6,291)		13.91
Canceled	(1,505)		17.41
Options outstanding, November 30, 2010	9,876	\$	17.54

For various exercise price ranges, characteristics of outstanding and exercisable stock options at November 30, 2010 are as follows:

(Number of shares in thousands)

Range of Exercise Price:	Number of Shares	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Life (in years)	Weighted Average Exercise Price	Weighted Average Exercise Price	Weighted Average Exercise Price
\$ 8.54-14.29	1,866	3.66	\$ 12.02	1,320	\$ 11.61
14.30-15.38	1,893	3.79	14.71	1,439	14.70
15.93-19.53	1,765	4.67	17.33	872	17.20
19.96-20.79	1,988	3.21	20.38	1,536	20.43
21.32-26.02	2,364	5.82	21.93	676	21.56
\$ 8.54-26.02	9,876	4.29	\$ 17.54	5,843	\$ 16.67

Options outstanding that have vested and that are expected to vest as of November 30, 2010 are as follows:

(In thousands, except per share data)

Outstanding Options	Weighted Average Remaining	Weighted Average	Aggregate Intrinsic Value (1)
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		Life (in years)	Exercise Price	
Vested	5,843	3.33	\$ 16.67	\$ 52,586
Expected to vest	4,033	5.68	18.79	27,841
Total	9,876	4.29	\$ 17.54	\$ 80,427

(1) The aggregate intrinsic value was calculated based on the difference between the closing price of our stock on November 30, 2010 of \$25.68 and the exercise prices for all in-the-money options outstanding.

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A summary of the status of our restricted stock units at November 30, 2010 is as follows:

(In thousands, except per share data)

	Number of Shares		Weighted Average Grant date Fair value
Restricted stock units outstanding, December 1, 2009	440	\$	14.74
Granted	665		21.44
Issued	(285)		16.94
Canceled	(98)		17.07
Restricted stock units outstanding, November 30, 2010	722	\$	19.72

Each restricted stock unit represents one share of common stock. The restricted stock units 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 following table provides the classification of stock-based compensation expense as reflected in our consolidated statements of income:

(In thousands)

Year Ended November 30,	2010	2009	2008
Cost of software licenses	\$ 29	\$ 37	\$ 72
Cost of maintenance and services	913	948	1,170
Sales and marketing	5,496	5,830	6,982
Product development	4,200	4,041	4,588
General and administrative	6,948	10,680	6,506
Restructuring	535		
Total stock-based compensation expense	18,121	21,536	19,318
Income tax benefit included in provision for income taxes	(4,970)	(5,163)	(4,632)
Total stock-based compensation expense, net of tax	\$ 13,151	\$ 16,373	\$ 14,686

We estimated the fair value of options and employee stock purchase plan shares granted in fiscal years 2010, 2009 and 2008 on the measurement dates using the Black-Scholes option valuation model with the following weighted average assumptions:

Year Ended November 30,	2010	2009	2008
Stock Purchase Plan:			
Expected volatility	27.7%	30.7%	23.4%
Risk-free interest rate	0.6%	0.8%	4.1%
Expected life in years	1.5	2.1	1.3
Expected dividend yield	None	None	None

Stock Options:

Expected volatility	27.2%	26.9%	24.9%
Risk-free interest rate	2.2%	2.0%	2.9%
Expected life in years	4.8	4.7	4.8
Expected dividend yield	None	None	None

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

For each stock purchase plan award, the expected life in years is based on the period of time between the beginning of the offering period and the date of purchase, plus an additional holding period of three months. Expected volatility is based on

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historical volatility of the company's stock, and the risk-free interest rate is based on the U.S. Treasury yield curve in effect at each purchase period.

Based on the above assumptions, the weighted average estimated fair value of options granted in fiscal years 2010, 2009 and 2008 was \$5.84, \$4.23 and \$4.31 per share, respectively. We amortize the estimated fair value of options to expense over the vesting period using the straight-line method. The weighted average estimated fair value for shares issued under our 1991 Employee Stock Purchase Plan (ESPP) in fiscal years 2010, 2009 and 2008 was \$5.97, \$4.19 and \$4.83 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 \$29.9 million at November 30, 2010. These costs are expected to be recognized over a weighted average period of 3.0 years.

During fiscal years 2010, 2009 and 2008 the following activity occurred under our plans:

(In thousands)

Year Ended November 30,	2010	2009	2008
Total intrinsic value of stock options on date exercised	\$ 47,395	\$ 2,569	\$ 14,462
Total fair value of DSUs on date vested			695
Total fair value of restricted stock awards on date vested	131	82	
Total fair value of restricted stock units on date vested	6,202	1,576	

Employee Stock Purchase Plan

The ESPP permits eligible employees to purchase up to a maximum of 7,350,000 shares of our common stock through accumulated payroll deductions. The ESPP has a 27-month offering period comprised of nine three month purchase periods. The purchase price of the stock is equal to 85% of the lesser of the market value of such shares at the beginning of a 27-month offering period or the end of each three-month segment within such offering period. If the market price at any of the nine purchase periods is less than the market price on the first date of the 27-month offering period, subsequent to the purchase, the offering period is cancelled and the employee is entered into a new 27-month offering period with the then current market price as the new base price. We issued 604,000 shares, 570,000 shares and 452,000 shares with weighted average purchase prices of \$10.28, \$10.08 and \$14.87 per share, respectively, in fiscal years 2010, 2009 and 2008, respectively. At November 30, 2010, approximately 881,000 shares were available and reserved for issuance under the ESPP.

Note 9: Retirement Plan

We maintain a retirement plan covering all U.S. employees under Section 401(k) of the Internal Revenue Code. Company contributions to the plan are at the discretion of the Board of Directors and totaled approximately \$4.6 million, \$4.0 million and \$5.2 million for fiscal years 2010, 2009 and 2008, respectively.

Note 10: Income Taxes

The components of pretax income are as follows:

(In thousands)

Year Ended November 30,	2010	2009	2008
United States	\$ 54,566	\$ 32,279	\$ 49,462
Foreign	16,862	18,901	24,548
Total	\$ 71,428	\$ 51,180	\$ 74,010

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The provisions for income taxes are comprised of the following:

(In thousands)

Year Ended November 30,	2010	2009	2008
Current:			
Federal	\$ 11,536	\$ 10,116	\$ 20,131
State	1,925	1,383	1,639
Foreign	5,392	7,293	9,900
Total current	18,853	18,792	31,670
Deferred:			
Federal	4,817	1,948	(2,499)
State	48	(36)	(454)
Foreign	(861)	(2,279)	(1,003)
Total deferred	4,004	(367)	(3,956)
Total	\$ 22,857	\$ 18,425	\$ 27,714

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

(In thousands)

November 30,	2010	2009
Deferred tax assets:		
Accounts receivable	\$ 598	\$ 1,541
Other current assets	815	1,119
Capitalized research costs	2,697	4,122
Accrued compensation	1,369	1,903
Accrued liabilities and other	10,722	9,454
Deferred revenue	2,743	2,976
Stock-based compensation	8,667	12,973
Tax credit and loss carryforwards	50,334	40,582
Gross deferred tax assets	77,945	74,670
Valuation allowance	(21,566)	(21,668)
Total net deferred tax assets	56,379	53,002
Deferred tax liabilities:		
Goodwill	(9,481)	(8,181)
Depreciation and amortization	(5,783)	(3,195)
Total deferred tax liabilities	(15,264)	(11,376)
Total	\$ 41,115	\$ 41,626

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 decrease in the valuation allowance during fiscal 2010 primarily related to the utilization of net operating loss carryforwards.

At November 30, 2010, we have net operating loss carryforwards of \$79.5 million expiring on various dates through 2024 and \$29.4 million that may be carried forward indefinitely. At November 30, 2010, we have tax credit carryforwards of approximately \$12.3 million expiring on various dates through 2029 and \$1.3 million that may be carried forward indefinitely.

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

Year Ended November 30,	2010	2009	2008
Tax at U.S. federal statutory rate	35.0%	35.0%	35.0%
Foreign rate differences	(2.8)	(1.7)	1.7
State income taxes, net	1.8	1.7	1.7
Research credits	(0.2)	(3.7)	(2.3)
Tax-exempt interest	(0.2)	(0.5)	(2.7)
Nondeductible stock-based compensation	2.3	5.2	3.2
Nonrecurring benefit from change in estimate from earnings and profits	(3.5)		
Other	(0.4)		0.9
Total	32.0%	36.0%	37.5%

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)

Year Ended November 30,	2010	2009
Balance, beginning of year	\$ 3,281	\$ 4,784
Settlements with tax authorities	(1,736)	(1,323)
Tax positions acquired	200	
Lapses due to expiration of the statute of limitations	(526)	(180)
Balance, end of year	\$ 1,219	\$ 3,281

We recognize interest and penalties related to uncertain tax positions as a component of our provision for income taxes. In fiscal years 2010 and 2009, we included \$0.1 million and \$0.2 million, respectively, of estimated interest and penalties in the provision for income taxes. We had accrued \$0.2 million and \$0.9 million of estimated interest and penalties at November 30, 2010 and November 30, 2009, respectively.

We have not provided for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries, as these earnings have been permanently reinvested or would be principally offset by foreign tax credits. Cumulative undistributed foreign earnings were approximately \$28.0 million at November 30, 2010.

During fiscal 2009, we settled our appeal with the Internal Revenue Service related to audits for periods through fiscal 2005 with no material impact to our consolidated financial statements. State taxing authorities are currently examining our income tax returns for years through fiscal 2008. Our federal and state income tax returns have been examined or are closed by statute for all years prior to fiscal 2007, and we are no longer subject to audit for those periods.

Tax authorities for certain non-U.S. jurisdictions are also examining returns affecting unrecognized tax benefits, none of which are material to our balance sheet, cash flows or statements of income. With some exceptions, we are

generally no longer subject to tax examinations in non-U.S. jurisdictions for years prior to fiscal 2005.

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

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

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

Future principal and interest payments are as follows:

(In thousands)

	Principal	Interest
2011	\$ 388	\$ 39
2012	276	9
Total	\$ 664	\$ 48

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, 2010:

(In thousands)

2011	\$ 11,286
2012	8,401
2013	4,325
2014	945
2015	626
Thereafter	11
Total	\$ 25,594

Total rent expense, net of sub-rental income which is insignificant, under operating lease arrangements was approximately \$11.3 million, \$12.4 million and \$11.2 million in fiscal years 2010, 2009 and 2008, 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 adverse effect on our consolidated financial position or results of operations.

On January 21, 2010, JuxtaComm Technologies (JuxtaComm) filed a complaint in the Eastern District of Texas against Progress Software, two of our subsidiaries and 19 other defendants, alleging infringement of JuxtaComm's US patent 6,195,662 (" System for Transforming and Exchanging Data Between Distributed Heterogeneous Computer Systems "). In its complaint, JuxtaComm alleges that certain of the products within our Sonic, FuseSource, DataDirect Connect and DataServices

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product sets infringe JuxtaComm's patent. In its complaint, JuxtaComm seeks unspecified monetary damages and permanent injunctive relief.

In May 2010, we filed a response to this complaint in which we denied all claims. The discovery phase of this litigation has commenced. Trial is scheduled for January 3, 2012.

We intend to defend the action vigorously. While we believe that we have valid defenses to JuxtaComm's claims, litigation is inherently unpredictable and we cannot make any predictions as to the outcome of this litigation. It is possible that our business, financial position, or results of operations could be negatively affected by an unfavorable resolution of this action.

Note 12: Business Segments and International Operations

Operating segments, as defined under U.S. generally accepted accounting principles (GAAP), are components of an enterprise about which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and assess performance. We internally report results to our chief operating decision maker on both a business unit basis and a functional basis. Our business units represent our segments for financial reporting purposes.

However, our organization is managed primarily on a functional basis. We assign dedicated costs and expenses directly to each business unit. We utilize an allocation methodology to assign all other costs and expenses to each business unit. A significant portion of the total costs and expenses assigned to each business unit are allocated. We disclose revenue and operating income based upon internal accounting methods. Our chief operating decision maker is our Chief Executive Officer.

For fiscal 2010, we have reorganized our internal reporting into three business units, each of which meet the criteria for segment reporting: (1) Application Development Platforms, which includes the OpenEdge, Orbix and ObjectStore product sets; (2) Enterprise Business Solutions, which includes the Apama, Sonic, Actional, Savvion and FuseSource product sets; and (3) Enterprise Data Solutions, which includes the DataDirect Connect, DataDirect Shadow and DataServices product sets. Segment data for 2009 has been reclassified to the current year presentation. Our product lines are synonymous with our reportable segments or business units.

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

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

(In thousands)

Year Ended November 30,	2010	2009	2008
Revenue:			
Application Development Platform segment	\$ 333,197	\$ 328,550	\$ 354,371
Enterprise Business Solutions segment	122,097	85,139	74,589
Enterprise Data Solutions segment	75,038	83,119	89,296
Reconciling items	(1,212)	(2,671)	(2,696)
Total	\$ 529,120	\$ 494,137	\$ 515,560
Income (loss) from operations:			
Application Development Platform segment	\$ 209,642	\$ 170,851	*
Enterprise Business Solutions segment	(40,111)	(55,085)	*
Enterprise Data Solutions segment	(12,912)	(6,410)	*
Reconciling items	(88,949)	(58,224)	*
Total	\$ 67,670	\$ 51,132	*

* We did not include income from operations for fiscal 2008 as it is not practical to restate the data into the current structure.

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

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

(In thousands)

Year Ended November 30,	2010	2009	2008
Software licenses	\$ 192,568	\$ 175,566	\$ 192,217
Maintenance	286,207	279,138	272,532
Professional services	50,345	39,433	50,811
Total	\$ 529,120	\$ 494,137	\$ 515,560

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

(In thousands)

Year Ended November 30,	2010	2009	2008
North America	\$ 244,648	\$ 221,173	\$ 216,574
EMEA	204,380	208,002	234,037
Latin America	39,948	33,884	32,902
Asia Pacific	40,144	31,078	32,047
Total	\$ 529,120	\$ 494,137	\$ 515,560

Revenue from the United Kingdom totaled \$56.0 million, \$57.9 million and \$68.8 million for fiscal years 2010, 2009 and 2008, respectively. No other country outside of the United States accounted for more than 10% of our consolidated total revenue in any year presented. Long-lived assets totaled \$54.7 million, \$55.3 million and \$60.4 million in the United States and \$7.8 million, \$9.7 million and \$8.6 million outside of the United States at the end of fiscal years 2010, 2009 and 2008, respectively. No individual country outside of the United States accounted for more than 10% of our consolidated long-lived assets. Long-lived assets exclude goodwill and intangible assets, which are not allocated to specific geographies as it is impracticable to do so.

Note 13: Business Combinations

On January 8, 2010, we acquired all of the equity interests in Savvion, Inc., a privately-held company, through a merger of Savvion with a wholly-owned subsidiary for an aggregate purchase price of \$49.2 million. Savvion is a provider of business process management software. The purpose of the acquisition was to expand the product offerings within the Enterprise Business Solutions business unit. The acquisition was accounted for as a purchase, and accordingly, the results of operations of Savvion are included in our operating results from the date of acquisition. We paid the purchase price in cash from available funds.

At the beginning of fiscal 2010, we adopted the revised accounting standard for business combinations. The most significant changes in the revised standard affecting the accounting for our acquisition of Savvion (in contrast to our prior acquisitions) are that we (i) capitalized in-process research and development assets of \$2.0 million; (ii) expensed acquisition-related transaction costs of \$0.4 million; and (iii) recognized all pre-acquisition loss and gain contingencies at their acquisition-date fair values. In addition, changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period will be recognized in earnings rather

than as adjustments to the cost of acquisition. We have estimated the fair value of all assets acquired and liabilities assumed in the transaction.

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The final allocation of the purchase price is as follows:

(In thousands)

	Total	Life (in years)
Accounts receivable (1)	\$ 5,120	
Deferred tax assets	2,927	
Other assets	854	
Acquired intangible assets	28,000	7 to 9 years
Goodwill	19,705	
Accounts payable and other liabilities	(4,413)	
Liabilities assumed, net of other assets	(3,007)	
Net cash paid	\$ 49,186	

(1) Accounts receivable have been recorded at their estimated fair value, which consists of the gross accounts receivable assumed of \$5.4 million, reduced by a fair value reserve of \$0.3 million representing the portion of contractually owed accounts receivable which we do not expect to be collected.

We recorded the excess of the purchase price over the identified tangible and intangible assets as goodwill. We believe that the investment value of the synergy created as a result of this acquisition, due to future product and solution offerings, has principally contributed to a purchase price that resulted in the recognition of approximately \$20 million of goodwill, which is not deductible for tax purposes.

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

Fiscal 2008 Transactions:

On February 5, 2008, we acquired, through a wholly-owned subsidiary, the stock of Xcalia SA (Xcalia) for a cash payment of \$4.9 million, net of cash acquired. Xcalia is a leader in providing data access and integration for service oriented architectures. The purpose of the acquisition was to expand the product offerings within the Enterprise Data Solutions product line. We accounted for the acquisition as a purchase, and accordingly, we included the results of operations of Xcalia in our operating results from February 5, 2008, the date of acquisition. In addition, we paid direct transaction costs related to this acquisition of \$0.9 million. We paid the purchase price in cash from available funds.

On June 13, 2008, we acquired substantially all of the assets and assumed certain liabilities of Mindreef, Inc. (Mindreef) for a cash payment of \$6.0 million, net of cash acquired. Mindreef develops and sells quality assurance and validation solutions for SOA deployments. The purpose of the acquisition was to expand the capabilities of our Actional product set. We accounted for the acquisition as a purchase, and accordingly, we included the results of operations of Mindreef in our operating results from June 13, 2008, the date of acquisition. In addition, we paid direct transaction costs related to this acquisition of \$0.2 million. We paid the purchase price in cash from available funds.

On September 12, 2008, we completed the acquisition of IONA Technologies PLC (IONA) for \$4.05 per share in cash, representing a cash payment of approximately \$125.1 million, net of cash acquired. IONA is a provider of SOA infrastructure products and services. The purpose of the acquisition was to broaden our Application Development Platforms and Enterprise Infrastructure product lines. We accounted for the acquisition as a purchase and accordingly, we included the results of operations of IONA in our operating results from September 12, 2008, the date of acquisition. In addition, we paid direct transaction costs related to this acquisition of \$3.2 million. We paid the purchase price in cash from available funds.

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

(In thousands)

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

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

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

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

(In thousands, except per share data, unaudited)

Year Ended November 30,	2008
Pro forma revenue	\$ 567,546
Pro forma net income	27,385
Pro forma diluted earnings per share	0.43

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

Note 14: Restructuring Charges**Q3 2010 Restructuring Plan**

During the third quarter of fiscal 2010, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes. The restructuring

was undertaken to better position the company for long-term growth, improved profitability, greater competitiveness and improved efficiency across our global business. These initiatives include the refinement of our product portfolio towards core and high-growth opportunities, the global consolidation and redeployment of a portion of our product development and administrative personnel, assets and processes to other global locations that offer greater efficiencies to the business and the continued consolidation of offices around the world. To accomplish these goals, and with a view toward better optimizing operations and improving productivity and efficiency, we reduced our global workforce by approximately 7 percent 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 activities related to this restructuring also continued into the fourth quarter and are expected to continue through fiscal 2011. The total costs in the second half of fiscal 2010 associated

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with the restructuring aggregated to \$14.0 million. These costs primarily related to employee severance and facilities related expenses, and were recorded to the restructuring expense line item within our consolidated statements of operations. The restructuring charge included \$0.2 million of noncash stock-based compensation. The excess facilities and other costs represent facilities costs for unused space and termination costs of automobile leases for employees included in the workforce reduction.

These strategic initiatives also involve the increased investment and expansion of development and administration operations in India, where we have run a successful development organization for several years. Over the next twelve months, we expect to increase the size of our development organization in Hyderabad, India, from about a third of our development resources to about half, in order to maximize resources and manage our development costs as we increase overall R&D headcount and bandwidth in our key product areas. Therefore, we expect to move and add additional product group functions as well as certain administrative functions to India. This expansion in India will result in the reduction of our development and administration operations headcount in other geographies in which we operate. In addition, we intend to continue the consolidation of some of our offices around the world.

Through these initiatives, we expect to incur aggregate future pre-tax restructuring charges and pre-tax non-recurring transition expenses of approximately \$5 million to \$8 million over the next twelve months, primarily comprising costs for severance, transition costs and consolidation of facilities. The transition expenses are necessary to ramp up the new, more efficient capabilities ahead of switching over from the existing cost structure. We will report these restructuring charges and transition expenses in our financial results as they are incurred during the phase-in period.

Q1 2010 Restructuring Plan

During the first quarter of fiscal 2010, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes and recent acquisitions. The restructuring was undertaken to enhance and re-focus our product strategy, to improve the way we take our products to market by becoming more customer and solutions driven, and to increase our market awareness. To accomplish these goals, and with a view toward better optimizing operations and improving productivity and efficiency, we reduced our global workforce by approximately 13 percent primarily within the sales, development, marketing 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 associated with the restructuring aggregated to \$26.0 million. These costs primarily related to employee severance and facilities related expenses, and were recorded to the restructuring expense line item within our consolidated statements of operations. The restructuring charge included \$0.3 million of noncash stock-based compensation. The excess facilities and other costs represent facilities costs for unused space and termination costs of automobile leases for employees included in the workforce reduction.

Q4 2008 and Q1 2009 Restructuring Plans

During the fourth quarter of fiscal 2008 and the first quarter of fiscal 2009, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of certain management and organizational changes and recent acquisitions. The total costs associated with these restructurings aggregated to \$11.8 million. These costs primarily related to employee severance and facilities related expenses, and were recorded to the restructuring expense line item within our consolidated statements of income. The excess facilities and other costs represent facilities costs for unused space and termination costs of automobile leases for employees included in the workforce reduction.

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

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

(In thousands)

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2007	\$ 336	\$	\$ 336
Establishment of reserve related to IONA acquisition	7,617	3,172	10,789
Establishment of reserve related to Q4 2008 restructuring	676	6,239	6,915
Cash disbursements	(560)	(2,735)	(3,295)
Balance, November 30, 2008	8,069	6,676	14,745
Establishment of reserve related to Q1 2009 restructuring	394	5,280	5,674
Adjustments to initial reserves	(72)	(186)	(258)
Cash disbursements	(2,906)	(11,950)	(14,856)
Translation adjustments and other	706	432	1,138
Balance, November 30, 2009	6,191	252	6,443
Establishment of reserve related to Q1 2010 restructuring	5,288	20,157	25,445
Establishment of reserve related to Q3 2010 restructuring	2,452	8,573	11,025
Additional reserves related to Q3 2010 restructuring and adjustments to initial reserves	(37)	3,007	2,970
Cash disbursements	(4,947)	(27,597)	(32,544)
Translation adjustments and other	(320)	(376)	(696)
Balance, November 30, 2010	\$ 8,627	\$ 4,016	\$ 12,643

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

For all restructuring reserves described above the short-term portion of \$8.8 million is included in other accrued liabilities and the long-term portion of \$3.8 million is included in other non-current liabilities on the balance sheet at November 30, 2010.

Note 15: Selected Quarterly Financial Data (unaudited)

(In thousands, except per share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010:				
Revenue	\$ 127,547	\$ 127,656	\$ 128,737	\$ 145,180
Gross profit	103,546	102,425	104,028	119,799
Income(loss) from operations	(4,379)	22,745	16,469	32,835
Net income	(1,006)	19,058	9,244	21,275
Diluted earnings per share	(0.01)	0.29	0.14	0.31
Basic earnings per share	(0.01)	0.30	0.14	0.33

2009:

Revenue	\$ 120,860	\$ 117,047	\$ 119,433	\$ 136,797
Gross profit	96,482	94,454	96,907	113,092
Income(loss) from operations	4,719	11,541	9,092	25,780
Net income	3,652	6,906	5,521	16,676
Diluted earnings per share	0.06	0.11	0.09	0.27
Basic earnings per share	0.06	0.11	0.09	0.27

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

None.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

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

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

The management of Progress Software Corporation is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act 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, 2010. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. Based on our assessment we believe that, as of November 30, 2010, our internal control over financial reporting is effective based on those criteria.

The effectiveness of our internal control over financial reporting as of November 30, 2010 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(d) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting during the quarter ended November 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Progress Software Corporation and subsidiaries (the Company) as of November 30, 2010 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2010 based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended November 30, 2010 and our report dated January 31, 2011 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts

January 31, 2011

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Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 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 Annual Meeting of Shareholders to be held on April 28, 2011, which will be filed with the Securities and Exchange Commission (SEC) not later than 120 days after November 30, 2010. This information is incorporated herein by reference. The following information is provided with respect to the members of our Board of Directors.

Barry N. Bycoff

Executive Chairman

Progress Software Corporation

Ram Gupta

Former President and Chief Executive Officer

CAST Iron Systems, Inc.

Charles F. Kane

Strategic Advisor

One Laptop Per Child

David A. Krall

President and Chief Operating Officer

Roku, Inc.

Michael L. Mark

Lead Independent Director

Progress Software Corporation

Richard D. Reidy

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 Annual Meeting of Shareholders to be held on April 28, 2011, which will be filed with the SEC not later than 120 days after November 30, 2010. This information is incorporated herein by reference.

Table of Contents**Item 12. Security Ownership of Certain Beneficial Owners and Management**

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 Annual Meeting of Shareholders to be held on April 28, 2011, which will be filed with the SEC not later than 120 days after November 30, 2010. This information is incorporated herein by reference.

Information related to securities authorized for issuance under equity compensation plans as of November 30, 2010 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)	8,000(2)	\$ 17.61	8,090(3)
Equity compensation plans not approved by shareholders (4)	1,876	17.21	1,271
Total	9,876	\$ 17.54	9,361

(1) Consists of the 1992 Incentive and Nonqualified Stock Option Plan, 1994 Stock Incentive Plan, 1997 Stock Incentive Plan, 2008 Stock Option and Incentive Plan and 1991 Employee Stock Purchase Plan (ESPP).

(2) Does not include purchase rights accruing under the ESPP because the purchase price (and therefore the number of shares to be purchased) will not be determined until the end of the purchase period.

(3) Includes 881,000 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 or director would be eligible to receive an award under the 2004 Plan only as an inducement to join us. Awards under the 2002 Plan and the 2004 Plan may include nonqualified stock options, grants of conditioned stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. A total of 11,250,000 shares are issuable under the two plans.

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

The information required by this Item 13 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 Annual Meeting of Shareholders to be held on April 28, 2011, which will be filed with the SEC not later than 120 days after

November 30, 2010. 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 Annual Meeting of Shareholders to be held on April 28, 2011, which will be filed with the SEC not later than 120 days after November 30, 2010. This information is incorporated herein by reference.

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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, 2010 and 2009

Consolidated Statements of Income for the years ending November 30, 2010, 2009 and 2008

Consolidated Statements of Shareholders' Equity for the years ending November 30, 2010, 2009 and 2008

Consolidated Statements of Cash Flows for the years ending November 30, 2010, 2009 and 2008

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

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

(b) Exhibits

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

- 2.2 Implementation Agreement, dated as of June 25, 2008, by and among IONA Technologies PLC, SPK Acquisitions Limited and, with respect to Section 7.4 and Section 7.7 only, Progress Software Corporation (1)
- 3.1 Restated Articles of Organization, as amended (2)
- 3.2 By-Laws, as amended and restated (3)
- 4.1 Specimen certificate for the Common Stock (4)
- 10.1* 1992 Incentive and Nonqualified Stock Option Plan (5)
- 10.2* 1994 Stock Incentive Plan (6)
- 10.3* 1997 Stock Incentive Plan, as amended and restated (7)
- 10.4* Employee Retention and Motivation Agreement as amended and restated, executed by each of the Executive Officers (other than the Chief Executive Officer) (8)
- 10.5* 2002 Nonqualified Stock Plan, as amended and restated (9)
- 10.6* 2004 Inducement Stock Plan, as amended and restated (10)

10.7*	Progress Software Corporation 1991 Employee Stock Purchase Plan, as amended and restated (11)
10.8*	Progress Software Corporation 2008 Stock Option and Incentive Plan, as amended and restated (12)
10.9*	Form of Notice of Grant of Stock Options and Grant Agreement under the Progress Software Corporation 2008 Stock Incentive Plan (13)
10.10*	Progress Software Corporation Corporate Executive Bonus Plan (14)
10.11*	Progress Software Corporation 2010 Fiscal Year Non-Employee Directors Compensation Program (15)
10.12*	Form of Deferred Stock Unit Agreement under the Progress Software Corporation 2008 Stock Incentive Plan (16)

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10.13*	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the Progress Software Corporation 2008 Stock Incentive Plan (Initial Grant) (17)
10.14*	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the Progress Software Corporation 2008 Stock Incentive Plan (Annual Grant) (18)
10.15.1*	Employment Letter Agreement, dated May 12, 2009, by and between Progress Software Corporation and Barry N. Bycoff regarding the terms of Mr. Bycoff's employment as Executive Chairman of the Board of Directors of Progress Software Corporation (19)
10.15.2*	Letter Agreement, dated January 15, 2010, by and between Progress Software Corporation and Barry N. Bycoff regarding the extension of Mr. Bycoff's employment as Executive Chairman of the Board of Directors of Progress Software Corporation (20)
10.16*	Employment Letter, dated as of May 12, 2009, between Progress Software Corporation and Richard D. Reidy (21)
10.17*	Amended and Restated Employee Retention and Motivation Agreement, dated as of October 13, 2009, by and between Progress Software Corporation and Richard D. Reidy (22)
10.18*	Severance Agreement, dated as of October 13, 2009, between Progress Software Corporation and Richard D. Reidy (23)
10.19*	Separation Agreement, dated as of June 30, 2009, between Progress Software Corporation and Joseph W. Alsop (24)
10.20*	Form of Restricted Stock Unit Agreement under the Progress Software Corporation 2008 Stock Incentive Plan (25)
10.21*	Separation Agreement, dated as of March 31, 2010, between Progress Software Corporation and Jeffrey Stamen (26)
10.22*	Employment Letter, dated as of October 15, 2010, by and between Progress Software Corporation and Charles F. Wagner, Jr. (27)
10.23*	Letter Agreement, dated November 12, 2010, by and between Progress Software Corporation and Norman R. Robertson (28)
21.1	List of Subsidiaries of the Registrant
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Richard D. Reidy
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Charles F. Wagner, Jr.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- (1) Incorporated by reference to Exhibit 2.1 of Form 8-K filed June 26, 2008.
- (2) Incorporated by reference to Exhibit 3.1 of Form 8-K filed May 1, 2006.
- (3) Incorporated by reference to Exhibit 3.1 of Form 8-K filed September 22, 2008.
- (4) Incorporated by reference to Exhibit 4.1 of Form 8-K filed May 1, 2006.
- (5) Incorporated by reference to Exhibit 10.1 of our Annual Report on Form 10-K for the year ended November 30, 2009.
- (6) Incorporated by reference to Exhibit 10.2 of our Annual Report on Form 10-K for the year ended November 30, 2009.
- (7) Incorporated by reference to Appendix B to our definitive Proxy Statement filed March 27, 2007.
- (8) Incorporated by reference to Exhibit 10.1 of Form 8-K filed January 6, 2009.
- (9) Incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarter ended February 28, 2010.
- (10) Incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the quarter ended February 28, 2010.
- (11) Incorporated by reference to Annex B to our definitive Proxy Statement filed March 26, 2010.
- (12) Incorporated by reference to Annex A to our definitive Proxy Statement filed March 26, 2010.
- (13) Incorporated by reference to Exhibit 10.2 of Form 8-K filed on April 28, 2008.

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- (14) Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended May 31, 2007.
- (15) Incorporated by reference to Exhibit 10.1 of Form 8-K filed on March 30, 2010.
- (16) Incorporated by reference to Exhibit 10.5 of Form 8-K filed on April 28, 2008
- (17) Incorporated by reference to Exhibit 10.3 of Form 8-K filed on April 28, 2008.
- (18) Incorporated by reference to Exhibit 10.4 of Form 8-K filed on April 28, 2008.
- (19) Incorporated by reference to Exhibit 10.21 to our Quarterly Report on Form 10-Q for the quarter ended May 31, 2009.
- (20) Incorporated by reference to Exhibit 10.16.2 to our Annual Report on Form 10-K for the year ended November 30, 2009.
- (21) Incorporated by reference to Exhibit 10.22 to our Quarterly Report on Form 10-Q for the quarter ended May 31, 2009.
- (22) Incorporated by reference to Exhibit 10.2 of Form 8-K/A filed on October 19, 2009.
- (23) Incorporated by reference to Exhibit 10.1 of Form 8-K/A filed on October 19, 2009.
- (24) Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended August 30, 2009.
- (25) Incorporated by reference to Exhibit 10.21 to our Annual Report on Form 10-K for the year ended November 30, 2009
- (26) Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended February 28, 2010.
- (27) Incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 12, 2010.
- (28) Incorporated by reference to Exhibit 10.3 to Form 8-K filed on November 12, 2010.

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

(c) Financial Statement Schedules

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

Table of Contents**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 31st day of January, 2011.

PROGRESS SOFTWARE CORPORATION

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

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

Signature	Title	Date
/s/ RICHARD D. REIDY Richard D. Reidy	President, Chief Executive Officer and Director (Principal Executive Officer)	January 31, 2011
/s/ CHARLES F. WAGNER, JR. Charles F. Wagner, Jr.	Executive Vice President, Finance and Administration and Chief Financial Officer (Principal Financial Officer)	January 31, 2011
/s/ DAVID H. BENTON, JR. David H. Benton, Jr.	Vice President and Corporate Controller (Principal Accounting Officer)	January 31, 2011
/s/ BARRY N. BYCOFF Barry N. Bycoff	Executive Chairman of the Board	January 31, 2011
/s/ RAM GUPTA Ram Gupta	Director	January 31, 2011
/s/ CHARLES F. KANE Charles F. Kane	Director	January 31, 2011
/s/ DAVID A. KRALL David A. Krall	Director	January 31, 2011
/s/ MICHAEL L. MARK Michael L. Mark	Director	January 31, 2011

