PROGRESS SOFTWARE CORP /MA
Form 10-K
January 30, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended November 30, 2011

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	**04-2746201**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

14 Oak Park

Bedford, Massachusetts 01730

(Address of Principal Executive Offices)

Telephone Number: (781) 280-4000

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock $.01 par value	The NASDAQ 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 x 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 x

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 x 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 x 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	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

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

As of May 31, 2011 (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 $1,800,000,000.

As of January 23, 2012, there were 61,995,000 common shares outstanding.

Documents Incorporated By Reference

Portions of the definitive Proxy Statement in connection with the 2012 Annual Meeting of Shareholders are incorporated by reference into Part III.

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PROGRESS SOFTWARE CORPORATION

FORM 10-K

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011

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CAUTIONARY STATEMENTS

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

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 software-as-a-service (SaaS) enablement). We maximize the benefits of operational responsiveness while minimizing information technology (IT) complexity and total cost of ownership. Additionally, we provide independent software vendors and end-user organizations software platform technology so that they can develop, deploy and manage sophisticated business applications in complex business environments.

We have three segments: Application Development Platforms, Enterprise Business Solutions and Enterprise Data Solutions. Our products 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 products and business activities also use term or subscription licensing models.

Our Application Development Platforms segment 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. OpenEdge capabilities continue to expand to include the addition of Business Process Management (BPM) functionality and the ability for our partners to develop dynamic solutions that incorporate business process and integration capabilities across multiple platforms and devices in a secure manner. Whether deployed on-premise, via mobile devices or in the Cloud using the Progress® Arcade portal, we offer our customers and ISV partners a single, integrated, development platform that provides significant cost savings and increased productivity. The Progress Orbix® and Progress ObjectStore® products are also part of this segment.

Our Enterprise Business Solutions segment includes solutions that provide responsive integration, business transaction management and real-time business visibility, business event processing, and business process management. Products in this segment include the Progress Control Tower®, 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 FuseSource open source infrastructure products. The integration of some or all of these products in the Progress RPM suite delivers immediate and actionable insight into business operations using the Progress Control Tower , a unified, interactive interface.

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. Additionally during fiscal 2011, we enhanced our Business Rules Management System (BRMS) capabilities through the acquisition of Corticon Technologies, Inc. (Corticon). Corticon is recognized as a leading BRMS vendor that enables organizations to make better, faster decisions by automating business rules. Corticon s patented no-coding rules engine automates sophisticated decision processes, empowering organizations to increase efficiencies, operate more responsively and reduce rule development and change cycles.

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

For financial information relating to segments and international operations, see Note 14 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K. The following descriptions detail our significant products within each segment:

Application Development Platforms:

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.

We recently launched OpenEdge 11, which includes patent-pending multi-tenancy built in to the database along with enhanced integration with our Progress Arcade Portal and enhanced support for mobile devices, all of which respond to the heavy demand of our partners to test and deliver their solutions in a multi-tenant Cloud environment and through mobile devices. In addition, OpenEdge 11 includes tighter integration with our Business Process Management functionality, allowing our partners to modernize their applications with the latest agile business-focused technology.

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.

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Enterprise Business Solutions:

Progress® Responsive 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 RPM suite developed specifically for selected industries. These solution accelerators allow business users to define their business processes based on best-in-class industry practices.

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.

Progress® Corticon®

On October 28, 2011, we completed the acquisition of Corticon, a leading BRMS vendor that enables organizations to make better, faster decisions by automating business rules. Corticon s patented no-coding rules engine automates sophisticated decision processes, empowering organizations to increase efficiencies, operate more responsively and reduce rule development and change cycles. The purpose of the acquisition was to enhance and expand the product offerings within the Enterprise Business Solutions segment.

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FuseSource

FuseSource 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.

Enterprise Data Solutions:

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.

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 products. If revenue generated from these products does not grow 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 641 employees as of November 30, 2011. We have five primary development offices in North America, three primary development offices in EMEA and two primary development offices in India. We spent $80.7 million, $90.6 million, and $93.3 million in fiscal years 2011, 2010, and 2009, respectively, on product development. Development expenses decreased in fiscal year 2011 primarily as a result of our off-shoring activities described below.

In 2010, we undertook an initiative to increase our investment and expand our development operations off-shore. We increased the size of our development organization in Hyderabad, India, from about a third of our development resources to

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about half, in order to maximize resources and manage our development costs as we increase overall research and development headcount and bandwidth in our key product areas. We moved and added additional product group functions as well as certain administrative functions to India. This expansion in India resulted in the reduction of our development and administration operations headcount in all other geographies in which we operate.

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. During fiscal 2011, 45% of our software license revenue was to direct end-users and 55% was through indirect channels. No single customer has accounted for more than 10% of our total revenue in any of our last three fiscal years.

Application Partners

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

Original Equipment Manufacturers (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 products. These programs include press relations, analyst relations, investor relations, digital/web marketing, marketing communications, participation in trade shows and industry conferences, and production of sales and marketing literature. We also hold global events, such as Progress Revolution held in September 2011, which was the first annual combined partner and customer event in Boston, Massachusetts, as well as regional user events in various locations throughout the world.

Customer Support

Our customer support staff provides telephone and Web-based support to end-users, application developers and OEMs. Customers may purchase maintenance services entitling them to software updates, technical support and technical bulletins. First year maintenance and any subsequent annual renewals are not included with our products and are purchased separately. We provide support to customers primarily through our main regional customer support centers in Bedford, Massachusetts; Morrisville, North Carolina; Rotterdam, The Netherlands; 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 of 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 distribute our products through various channel partners, including Application Partners, OEMs, and System Integrators. We also license our products under term or subscription arrangements. In addition, we attempt to protect our trade secrets and other proprietary information through agreements with employees, consultants and channel partners. Although we intend to protect our rights vigorously, there 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 71 patents covering portions of our products. We also have approximately 37 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, 2011, we had 1,744 employees worldwide, including 548 in sales and marketing, 366 in customer support and services, 641 in product development and 189 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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Executive Officers of the Registrant

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

Name	Age	Position
Jay H. Bhatt	43	President and Chief Executive Officer and Director
Joseph A. Andrews	55	Senior Vice President, Human Resources
Antonio J. Aquilina	44	Senior Vice President, Strategy and Corporate Development
John Bates	41	Executive Vice President and Chief Technology Officer
David A. Benson	52	Executive Vice President and Chief Information Officer
Gary G. Conway	58	Executive Vice President and Chief Marketing Officer
John P. Goodson	47	Senior Vice President, Products
Craig Newfield	48	Senior Vice President and General Counsel
Charles F. Wagner, Jr.	43	Executive Vice President, Finance and Administration and Chief Financial Officer

Mr. Bhatt became our President and Chief Executive Officer in December 2011. Prior to that time, from February 2004 until November 2011, Mr. Bhatt was Senior Vice President at Autodesk, Inc., a leader in 3D, design, engineering and entertainment software, where he served as Senior Vice President of the global Architecture, Engineering and Construction Solutions Division at Autodesk, Inc.

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

Mr. Aquilina became Senior Vice President, Strategy and Corporate Development on January 9, 2012. Prior to that time, from February 2011 until January 2012, Mr. Aquilina was Vice President of Corporate Development at Autodesk, Inc., where he was employed beginning in 2005. From 2005 until February 2011, Mr. Aquilina was Director of Business Development within the Architecture, Engineering and Construction Services Division at Autodesk, Inc.

Dr. Bates became Executive Vice President and Chief Technology Officer in March 2011. Prior to that time, Dr. Bates was Senior Vice President, Chief Technology Officer and Head of Corporate Development, a position he was appointed to in 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. Goodson became Senior Vice President, Products in October 2010 and has acted as our Interim Chief Product Officer since that time. 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. Newfield became our Senior Vice President and General Counsel in September 2011. Prior to that time, Mr. Newfield was Vice President and General Counsel at Acronis Inc., a leading provider of back-up, disaster, recovery and security solutions for IT systems and data, with whom he was employed from September 2010 until September 2011. Prior to that time, Mr. Newfield was Vice President and General Counsel at AMICAS, Inc., a provider of medical image and information management solutions for imaging centers, ambulatory care facilities and radiology practices, from March 2009 until June 2010. Prior to that time, Mr. Newfield was Vice President and General Counsel at Gomez, Inc., an on-demand provider of Internet website monitoring services, from November 2007 until May 2008.

Mr. Wagner became Executive Vice President, Finance and Administration and Chief Financial Officer in November 2010. Prior to that time, 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 Planning and Business Development in March 2003, serving in this role until his appointment as Chief Financial Officer of Millipore.

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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;
- changes in management;
- restructuring programs;
- reorganizations of our sales force;
- completion or announcement of acquisitions by us or our competitors;
- customer order deferrals in anticipation of new products announced by us or our competitors; and
- general economic conditions in regions in which we conduct business.

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

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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 three years have been characterized by weak global economic conditions, tightening of credit markets and instability in the financial markets. 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.

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

economic instability in emerging markets; and

potentially adverse tax consequences.

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

Fluctuations in foreign currency exchange rates could have an adverse impact on our financial condition and results of operations. Changes in the value of foreign currencies relative to the U.S. dollar may adversely affect our results of operations and financial position. We seek to reduce our exposure to fluctuations in exchange rates by entering into foreign exchange 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 products. We derive a significant portion of our revenue from software license and maintenance revenue attributable to our Progress OpenEdge product set. Accordingly, our future results depend on continued market acceptance of OpenEdge. If new technologies emerge that are superior to, or more responsive to customer requirements, than OpenEdge such that we are unable to maintain OpenEdge s competitive position within its marketplace, this will have a material adverse effect on our business, financial condition and operating results.

Our newest product initiative, the Progress RPM suite, may not generate the revenues we expect. During 2010, we announced a new product initiative, the Progress RPM suite, which is designed to enable businesses to gain visibility into

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critical processes, immediately respond to events and continuously improve business performance. We believe Progress 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 Progress RPM is not as we expect, our revenue growth will be adversely impacted.

We are investing heavily in sales and professional services in anticipation of a continued increase in license arrangements, and we may experience decreased profitability or losses if we are unsuccessful in increasing the value of our license arrangements in the future. We have been increasing our investment in sales and marketing to meet increasing demand by hiring additional sales and services personnel. We anticipate that we will need to provide our customers with more professional services, training, and maintenance particularly with respect to our newest product initiative, the Progress RPM suite. These investments have resulted in increased fixed costs that do not vary with the level of revenue. If the increased demand for our products does not continue, we could experience decreased profitability or losses as a result of these increased fixed costs.

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.

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.

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 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

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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.

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.

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

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.

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

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

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

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We are required to comply with certain financial and operating covenants under our credit facility and any failure to comply with those covenants could cause amounts borrowed under the facility to become immediately due and payable or prevent us from borrowing under the facility. Under the terms of our credit facility, we may borrow up to $150.0 million (with an accordion feature that allows us to borrow up to an additional $75.0 million if the existing or additional lenders agree), repay the same in whole or in part and re-borrow at any time through August 15, 2016, at which time any amounts outstanding will be due and payable in full. As of November 30, 2011, there were no amounts outstanding under the revolving line and $0.2 million of letters of credit. We may wish to borrow amounts under the facility in the future to support our operations, including for strategic acquisitions.

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

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

Item 1B. Unresolved Staff Comments

As of the date of this report, we do not have any open comments 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 9 other locations in North America and approximately 23 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 effect on our consolidated financial position or results of operations.

On January 21, 2010, JuxtaComm-Texas Software, LLC (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 amended 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 was completed in November 2011 and trial was scheduled to begin on January 9, 2012. However, on December 2, 2011, the court issued a so-called *Markman* ruling, in which all disputes are resolved regarding interpretations of the patent. In the ruling, the court agreed with us on a key issue which would eliminate us from the case. On December 8, 2011, the court issued an order staying the case until February 1, 2012 and gave JuxtaComm until February 1, 2012 to articulate an alternative theory and postponed the trial to an unspecified future date to fall in the second or third quarter of 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, however, we are unable to estimate a range of potential loss at this time.

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Item 4. (Removed and Reserved)

PART II

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

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

Year Ended November 30,	2011		2010	
	High	Low	High	Low
First Quarter	$ 31.47	$ 25.45	$ 20.34	$ 16.06
Second Quarter	30.39	25.83	23.29	18.58
Third Quarter	27.23	18.48	22.39	17.64
Fourth Quarter	22.45	16.71	26.30	17.97

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, 2011, our common stock was held by approximately 300 shareholders of record.

Information related to our repurchases of our common stock by month in the fourth quarter of fiscal 2011 is as follows:

(In thousands, except per share data)

Period:	Total Number Of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
September 2011	253	$ 18.08	253	$ 60,530
October 2011	2,705	20.23	2,705	5,821
November 2011	279	20.87	279	
Total	3,237	$ 20.12	3,237	

(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. On June 27, 2011, the Board of Directors increased and extended the program for an additional $100 million through May 31, 2012. As of November 30, 2011, no amounts were available for purchase under this program.

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Stock Performance Graph and Cumulative Total Return

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total return on the NASDAQ Composite Index and the NASDAQ Computer Index for each of the last five fiscal years ended November 30, 2011, assuming an investment of $100 at the beginning of such period and the reinvestment of any dividends.

*$100 invested on November 30, 2006 in stock or index, including reinvestment of dividends.

November 30,	2006	2007	2008	2009	2010	2011
Progress Software Corporation	**$ 100.00**	**$ 116.67**	**$ 78.50**	**$ 88.82**	**$ 142.09**	**$ 75.14**
NASDAQ Composite	100.00	109.42	63.15	88.19	102.73	107.75
NASDAQ Computer	100.00	115.80	62.21	100.73	119.17	128.77

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,	2011	2010	2009	2008	2007
Revenue	$ 533,595	$ 529,120	$ 494,137	$ 515,560	$ 493,500
Income from operations	88,223	67,670	51,132	64,383	57,216
Net income	58,761	48,571	32,755	46,296	42,280
Basic earnings per share	0.89	0.76	0.54	0.75	0.68
Diluted earnings per share	0.87	0.73	0.53	0.72	0.64
Cash and short-term investments	261,416	322,396	224,121	118,529	339,525
Total assets	865,310	936,823	798,850	752,370	761,828
Long-term debt, including current portion	357	664	1,022	1,352	1,657
Shareholders equity	622,300	688,332	555,452	481,452	517,874

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.

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Use of Constant Currency

Revenue from our international operations has historically been a significant portion of our total revenue. As a result, our revenue results have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. As exchange rates are an important factor in understanding period to period comparisons, we believe the presentation of revenue growth rates on a constant currency basis helps improve the ability to understand our revenue results and evaluate our performance in comparison to prior periods. The constant currency information presented is calculated by translating current period results using prior year weighted average foreign currency exchange rates. These results should be considered in addition to, not as a substitute for, results reported in accordance with accounting principles generally accepted in the United States of America (GAAP).

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.

We have three segments: Application Development Platforms, Enterprise Business Solutions and Enterprise Data Solutions. However, our organization is managed primarily on a functional basis. We assign dedicated costs and expenses, primarily costs of revenue and product development, directly to each segment and utilize an allocation methodology to assign all other costs and expenses, primarily sales and marketing and general and administrative, to each segment. A significant portion of the total costs and expenses assigned to each segment are allocated.

During fiscal 2011, we continued to invest significantly in the Progress RPM suite, which is the integration of products within our Enterprise Business Solutions segment, and is designed to enable businesses to gain visibility into critical processes, immediately respond to events and continuously improve business performance through the Progress Control Tower, a unified interactive environment. We believe the Progress RPM suite will enhance our competitiveness within our markets and our long-term growth prospects and we achieved significant growth in sales of these products during fiscal 2011. However, the introduction and integration of the Progress RPM suite has resulted in increased costs and we cannot predict whether these new products will gain market acceptance and generate sufficient revenues to justify their costs.

During the past year, we made significant investments and changes in our global field organization, particularly within our direct field professional services and marketing organizations, designed to enhance our solution selling capabilities and enable us to complete an increasing number of larger transactions. However, we have not yet fully realized the benefits of these investments and changes, and this has negatively impacted our results. We expect these investments and changes to continue in fiscal 2012.

Our dependence on larger transactions as a result of our shift to an industry vertical and solutions focus has made us, and is expected to continue to make us, more susceptible to quarter-to-quarter revenue fluctuations. This is because our revenue growth rates, particularly within our Enterprise Business Solutions segment, are dependent on our ability to license to direct customers, which can lead to longer deal cycles and potential delays in purchasing decisions as a result of macroeconomic conditions.

The U.S. and many foreign economies continue to experience uncertainty driven by varying macroeconomic conditions. Although some of these economies have shown signs of improvement, macroeconomic recovery remains uneven. Uncertainty in the macroeconomic environment and associated global economic conditions have resulted in extreme volatility in credit, equity, and foreign currency markets, including the European sovereign debt markets and volatility in various markets including the financial services sector. During fiscal 2011, we were adversely impacted by these conditions as some customers delayed software investments in response to this macroeconomic uncertainty. The continuation of this climate could cause our customers to further delay, forego or reduce the amount of their investments in our products or delay payments of amounts due to us. We expect these macroeconomic conditions to continue in fiscal 2012, most particularly, in Europe, the Middle East and Africa (EMEA).

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

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On October 26, 2011, we acquired all of the equity interests in Corticon Technologies, Inc. (Corticon), a privately held business enterprise software company based in Redwood City, California, for $23.0 million. Corticon is a business rules management system vendor that enables organizations to make better, faster decisions by automating business rules. The Corticon 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 2012.

We believe that existing cash balances, together with funds generated from operations and amounts available under a revolving credit line we entered into in fiscal 2011, 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.

Results of Operations

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

	Percentage of Total Revenue			Percentage Change	
Year Ended November 30,	2011	2010	2009	2011 Compared to 2010	2010 Compared to 2009
Revenue:					
Software licenses	35%	36%	36%	(4)%	10%
Maintenance and services	65	64	64	4	6
Total revenue	100	100	100	1	7
Costs of revenue:					
Cost of software licenses	2	2	2	13	2
Cost of maintenance and services	14	13	13	10	8
Amortization of acquired intangibles	3	4	4	(22)	3
Total costs of revenue	19	19	19	4	7
Gross profit	81	81	81	0	7
Operating expenses:					
Sales and marketing	35	32	37	10	(7)
Product development	15	17	19	(11)	(3)
General and administrative	11	10	12	20	(13)
Amortization of acquired intangibles	2	2	2	(23)	15
Restructuring expenses	1	7	1	*	*
Acquisition-related expenses	0	0	0	15	6
Total operating expenses	64	68	71	(6)	4
Income from operations	17	13	10	30	32
Other (expense) income, net	(1)	0	0	*	*
Income before provision for income taxes	16	13	10	23	40
Provision for income taxes	5	4	3	27	24

Net income	11%	9%	7%	21%	48%

* Not meaningful

Fiscal 2011 Compared to Fiscal 2010

Revenue. Our total revenue increased 1% from $529.1 million in fiscal 2010 to $533.6 million in fiscal 2011, principally due to increased revenue from our Enterprise Business Solutions segment, partially offset by declines in our Application Development Platform and Enterprise Data Solutions segments. Total revenue would have decreased by 2% if exchange rates had been constant in fiscal 2011 as compared to exchange rates in effect in fiscal 2010. Changes in prices in fiscal 2011 from fiscal 2010 did not have a significant impact on our revenue.

On a segment basis, revenue from our Application Development Platforms segment decreased 2% from $333.2 million in fiscal 2010 to $326.4 million in fiscal 2011. Revenue from our Enterprise Business Solutions segment increased 12% from $122.1 million in fiscal 2010 to $136.8 million in fiscal 2011. Growth for the Enterprise Business Solutions segment in fiscal 2011 was driven primarily by the Apama, Savvion and FuseSource products. Revenue from our Enterprise Data Solutions product segment decreased 6% from $75.0 million in fiscal 2010 to $70.5 million in fiscal 2011. For an understanding of how our internal measure of segment revenue is determined, see Note 14 of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

Software license revenue decreased 4% from $192.6 million in fiscal 2010 to $184.2 million in fiscal 2011. Software license revenue would have decreased by 6% if exchange rates had been constant in fiscal 2011 as compared to exchange rates in effect in fiscal 2010. Excluding the impact of changes in exchange rates, the decrease in software license revenue was due to a decrease in the Application Development Platforms and Enterprise Data Solutions segments, partially offset by an increase in our Enterprise Business Solutions segment. Software license revenue from direct end-users decreased in fiscal 2011 as compared to fiscal 2010, but increased from indirect channels, primarily from OpenEdge application partners.

Maintenance and services revenue increased 4% from $336.6 million in fiscal 2010 to $349.4 mil