PTC INC.
Form PRE 14A
December 19, 2013

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

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

PTC INC.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

x No fee required

¨ Fee computed on table below per Exchange Act Rules 14a-(6)(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transactions applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

PTC INC.
NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS

Wednesday, March 5, 2014
8:00 a.m. Eastern Standard Time
The Ritz-Carlton Hotel & Resort
280 Vanderbilt Beach Road
Naples, Florida 34108

Proposals to be voted on at the Annual Meeting

Proposal	Board Recommendation
Elect three directors to serve for the next three years.	FOR
Advisory vote to approve the compensation of our named executive officers (say-on-pay).	FOR
Advisory vote to confirm the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year.	FOR
Approve an amendment to our By-Laws requiring certain stockholder lawsuits to be tried in Massachusetts.	FOR

Other matters that are properly brought before the meeting may also be considered.
Stockholders at the close of business on January 6, 2014 are entitled to vote.
Please vote your shares in advance of the meeting, even if you plan to attend the meeting. Your broker will not be able to vote your shares with respect to the election of directors or the say-on-pay vote unless you have given your broker specific instructions to do so. You may vote your shares by Internet, by telephone or, if you have requested a proxy card, by mail.
By Order of the Board of Directors
AARON C. VON STAATS
Secretary
Needham, Massachusetts
January 22, 2014

Directions to the Ritz-Carlton Hotel & Resort • Naples • Florida

From the North:
I-75 South to Exit 111 (Immokalee Road). Take Exit 11. Turn right onto Immokalee Road (State Road 846). Proceed 3 1/2 miles west until you reach the intersection of Immokalee Road and U.S. 41 (Tamiami Trail). Turn left onto U.S. 41; proceed one mile to the Vanderbilt Beach Road Intersection. Turn right onto Vanderbilt Beach Road. Proceed for one mile. Turn left onto Ritz-Carlton Drive. The hotel will be on the right.

From the East:
I-75 North (toward Naples) to Exit 107 (Pine Ridge Road). Take Exit 107 and turn left onto Pine Ridge Road. Proceed until you reach the intersection of Airport Pulling Road. Turn right onto Airport Pulling Road. Turn left onto Vanderbilt Beach Road and proceed for three miles. Turn left onto Ritz-Carlton Drive. The hotel will be on the right.

Important Notice of the Internet Availability of Proxy Materials
The Proxy Statement and our 2013 Annual Report are available to stockholders at www.proxyvote.com.

TABLE OF CONTENTS

	Page
PROXY STATEMENT SUMMARY	1
INFORMATION ABOUT THE ANNUAL MEETING AND VOTING	3
Why This Proxy Statement Was Made Available to You	3
Proposals to be Voted on at the Meeting; Votes Required	3
Effect of Abstentions and Broker Non-Votes	3
Voting by Proxy	3
Revoking Your Proxy	4
Voting in Person	4
Confidentiality of Voting and Tabulation of the Votes	4
Disclosure of Voting Results	4
Costs of Soliciting Proxies	4
Obtaining a Copy of Our Annual Report on Form 10-K	4
Questions?	4
Stockholders Sharing the Same Surname and Address	4
PROPOSAL 1: ELECTION OF DIRECTORS	5
Information about Our Directors	5
Independence of Our Directors	5
CORPORATE GOVERNANCE	8
Board Meetings and Attendance at the Annual Meeting	8
The Committees of the Board	8
Board Leadership Structure	11
Risk Oversight	11
Communications with the Board	11
DIRECTOR COMPENSATION	12
Director Compensation Table	13
PROPOSAL 2: ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS	15
COMPENSATION DISCUSSION AND ANALYSIS	17
Executive Summary of Our Compensation Programs	17
Compensation Philosophy & Objectives	20
Components of Compensation for 2013	21
How We Determine the Total Amount of Compensation	22
Benchmarking and Survey Data	22
Analysis of Compensation Decisions for 2013	23
2013 Performance-Based Compensation	23
Severance and Change in Control Arrangements	27
Equity Ownership	28
Compensation Clawback Policy	28
Timing of Equity Grants	28
Tax and Accounting Considerations	28
Report of the Compensation Committee	29
ASSESSMENT OF RISKS ASSOCIATED WITH OUR COMPENSATION PROGRAMS	30

	Page
EXECUTIVE COMPENSATION	31
Summary Compensation Table	31
Grants of Plan-Based Awards	32
Grants of Plan-Based Awards Table	33
Outstanding Equity Awards at Fiscal Year-End	34
Option Exercises and Stock Vested	36
Potential Payments upon Termination or Change in Control	37
Potential Payments upon Termination or Change in Control Table	40
PROPOSAL 3: ADVISORY VOTE TO CONFIRM THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014	41
Engagement of Independent Auditor and Approval of Professional Services and Fees	41
PricewaterhouseCoopers LLP Professional Services and Fees	42
Report of the Audit Committee	42
Attendance at Annual Meeting	42
PROPOSAL 4: APPROVE AN AMENDMENT TO OUR BY-LAWS REQUIRING CERTAIN STOCKHOLDER LAWSUITS TO BE TRIED IN MASSACHUSETTS	43
INFORMATION ABOUT PTC COMMON STOCK OWNERSHIP	44
Stockholders That Own at Least 5% of PTC	44
Stock Owned by Directors and Officers	44
Section 16(a) Beneficial Ownership Reporting Compliance	46
STOCK PERFORMANCE GRAPH	47
TRANSACTIONS WITH RELATED PERSONS	48
Review of Transactions with Related Persons	48
Transactions with Related Persons	48
STOCKHOLDER PROPOSALS AND NOMINATIONS	49
APPENDIX A: RECONCILIATION OF NON-GAAP MEASURES TO GAAP RESULTS	A-1
APPENDIX B: PROPOSED BY-LAW AMENDMENT	B-1

We made this proxy statement available to stockholders on January 22, 2014.

2014 PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this proxy statement and does not contain all of the information you should consider. You should read the entire proxy statement before voting. For more complete information regarding PTC's 2013 performance, you should read our Annual Report on Form 10-K, which accompanies this proxy statement.

MATTERS TO BE VOTED ON AT THE MEETING

PROPOSAL	BOARD RECOMMENDATION	PAGE NO.
Elect three directors to serve for the next three years.	FOR ALL NOMINEES	5
Advisory vote to approve the compensation of our named executive officers (say-on-pay).	FOR	15
Advisory vote to confirm the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year.	FOR	41
Approve an amendment to our By-Laws requiring certain stockholder lawsuits to be tried in Massachusetts.	FOR	43

DIRECTOR NOMINEES

NOMINEE	INDEPENDENCE	COMMITTEES	DIRECTOR SINCE
Janice Chaffin	Independent	None	2013
Paul Lacy	Independent	Chair, Corporate Governance Committee Audit Committee Compensation Committee	2009
James Heppelmann	Not Independent President and CEO PTC	None	2008

All director nominees attended at least 99% of the meetings of the Board and of the committees on which they serve held during their current term.

2014 Proxy Statement Summary

2013 EXECUTIVE COMPENSATION(1)

EXECUTIVE	FISCAL 2013	FISCAL 2012	% CHANGE
James Heppelmann President, Chief Executive Officer	$6,507,640	$6,909,766	(5.820)%
Jeffrey Glidden EVP, Chief Financial Officer	$2,597,628	$2,965,575	(12.410)%
Barry Cohen EVP, Strategy	$2,589,978	$2,958,075	(12.440)%
Marc Diouane EVP, Global Services and Partners	$2,065,121	$2,211,760	(6.630)%
Robert Ranaldi EVP, Global Sales and Distribution	$2,057,640	(2)	(2)

(1) Compensation for PTC's CEO, CFO and three most highly compensated officers for 2013 ("named executive officers" or "NEOs"). Compensation consists of salary paid, performance-based bonus paid, grant date value of RSUs granted, 401(k) Plan matching contributions and, for Mr. Diouane, amounts associated with his overseas service. Refer to "Compensation Discussion and Analysis" on page xx and "Executive Compensation" on page xx for more detailed information.
(2) Mr. Ranaldi was not a named executive officer for 2012.

PRICEWATERHOUSECOOPERS LLP SERVICES AND FEES

TYPE OF PROFESSIONAL SERVICE	FISCAL 2013	FISCAL 2012
Audit Fees	$ 3,886,500	$3,497,800
Audit-Related Fees(1)	$ 747,800	$390,000
Tax Fees(2)	$ 2,390,800	$1,838,800
All Other Fees(3)	$ 1,800	$1,800

(1) Consists principally of fees for services related to financial due diligence in connection with acquisition targets and consultations concerning financial accounting and reporting standards.
(2) Consists principally of fees related to tax compliance, tax planning and tax advice services and tax compliance services related to PTC's expatriate employees (including assistance with individual tax compliance that PTC provides as a benefit to these employees) as follows:

Type of Tax Service	Fiscal 2013	Fiscal 2012
Tax compliance and preparation services (comprised of preparation of original and amended tax returns, claims for refunds, and tax payment planning services)	$567,300	$356,900
Tax compliance services related to PTC's expatriate employees	713,100	725,000
Other tax services including tax planning and advice services and assistance with tax audits	1,110,400	756,900
Total	$2,390,800	$1,838,800

(3) Consists of fees for accounting research software.
Refer to Proposal 3 on page 41 for more information about PricewaterhouseCoopers LLC's services.

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Why This Proxy Statement Was Made Available to You. As a stockholder, you have the right to attend and vote at the Annual Meeting of Stockholders. If you attend the meeting, you may vote your shares directly. Whether or not you attend, you may vote by proxy, by which you direct another person to vote your shares at the meeting on your behalf. The PTC Board of Directors is soliciting your proxy to encourage your participation in voting at the meeting and to obtain your support for the proposals presented. The proxy statement explains the proposals to be voted on at the Annual Meeting.

You have one vote for each share of common stock that you owned at the close of business on the record date, January 6, 2014. On that date, there were xxx,xxx,xxx shares of our common stock outstanding. Common stock is our only class of voting stock.

Proposals to be Voted on at the Meeting; Votes Required. The proposals scheduled to be voted on at the meeting, the Board's recommendations for how you should vote, the votes required on each of the proposals, and whether broker discretionary voting on the proposal is allowed are set forth below.

Proposal	Board Recommendation	Vote Required	Broker Discretionary Voting Allowed
Elect three directors to serve for the next three years.	FOR	Plurality(1)	No
Advisory vote to approve the compensation of our named executive officers.	FOR	Majority Votes Cast	No
Confirm the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year.	FOR	Majority Votes Cast	Yes
Approve an amendment to our By-Laws requiring certain stockholder lawsuits to be tried in Massachusetts.	FOR	Majority Shares Outstanding	Yes

(1) PTC has a majority voting policy under which a director that receives more "Withhold" votes than "For" votes is required to tender his or her resignation and the board is required to evaluate the proposed resignation and announce its decision with respect to such resignation.

"Plurality" means that the nominees for director receiving the greatest number of votes will be elected.

"Majority Votes Cast" means that a proposal that receives an affirmative majority of the votes cast will be approved.

"Majority Shares Outstanding" means that a proposal that receives an affirmative majority of the shares outstanding will be approved.

"Broker Discretionary Voting" occurs when a broker does not receive voting instructions from the beneficial owner and votes those shares in its discretion on any proposal on which it is permitted to vote.

Effect of Abstentions and Broker Non-Votes. If you abstain from voting on any of the proposals, or if your broker or bank does not vote on any proposal because it has not received instructions from you and is not permitted to vote in its discretion (a broker non-vote), it will not count as a vote for or against any proposal.

Voting by Proxy. You may vote by proxy using the Internet or the telephone by following the instructions on your notice or your proxy card, as applicable. If you requested a printed set of materials, you may also vote by mail by signing, dating and returning the proxy card.

Please note that there are separate telephone and Internet arrangements depending on whether you are a registered stockholder (that is, if you hold your stock in your own name) or you hold your shares in "street name" (that is, in the name of a brokerage firm or bank that holds your securities account). In either case, you must follow the procedures described on your notice or proxy card.

When you vote, you are giving your "proxy" to the individuals we have designated to vote your shares at the meeting as you direct. If you do not make specific choices, they will vote your shares in accordance with the Board's recommendations as set forth above. If any matter not listed in the Notice of Meeting is properly presented at the Annual Meeting, they will vote your shares in accordance with their best judgment. As of the date hereof, we knew of no matters that needed to be acted on at the meeting other than as discussed in this proxy statement.

Information About the Annual Meeting and Voting

Whether you plan to attend the Annual Meeting or not, we encourage you to vote promptly. Voting promptly will not affect your right to attend the Annual Meeting. If you wish to vote at the Annual Meeting despite having voted previously, you may do so by following the procedure described below under "Revoking Your Proxy" and "How You May Vote in Person."

Revoking Your Proxy. You may change your vote after you have voted as described below.

Registered Stockholders. You may revoke your proxy by following any of these procedures:

- If you voted by Internet or telephone, vote again using the Internet or telephone (which will supersede your earlier vote); or
- If you voted by executing a proxy card, send in another signed proxy card with a later date; or
- Send a letter revoking your proxy to PTC's Secretary at the address indicated under "Stockholder Proposals and Nominations," or
- Attend the Annual Meeting, notify us in writing that you are revoking your proxy and vote in person.

Street Name Holders. You must follow the procedures required by the brokerage firm or bank through which you hold your shares to revoke your proxy. You should contact that firm or bank directly for more information on those procedures.

Voting in Person. You may attend the Annual Meeting and vote by ballot. If your shares are held in street name, you will need to obtain a "legal proxy" from the holder of record in order to be able to vote at the Annual Meeting.

Confidentiality of Voting and Tabulation of the Votes. We keep all the proxies, ballots and voting tabulations confidential. The Inspector of Election will forward to management any written comments that you make on the proxy card without providing your name.

Disclosure of Voting Results. We will provide the voting results in a Current Report on Form 8-K filed with the Securities and Exchange Commission within four business days after the Annual Meeting.

Costs of Soliciting Proxies. PTC will pay all the costs of soliciting proxies. In addition to mailing the notices and providing these proxy materials, our directors and employees may solicit proxies by telephone, fax or other electronic means of communication, or in person. We will reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you.

Obtaining a Copy of Our Annual Report on Form 10-K. A copy of our Annual Report on Form 10-K for the year ended September 30, 2013 was made available with this proxy statement. You may obtain another copy of our Annual Report on Form 10-K free of charge on our website at www.ptc.com or by contacting PTC Investor Relations at:

Investor Relations
PTC Inc.
140 Kendrick Street Phone: (781) 370-5000
Needham, MA 02494-2714 Email: ir@ptc.com

Questions? If you have any questions about the Annual Meeting or your ownership of PTC common stock, please contact PTC Investor Relations by telephone at (781) 370-5000 or e-mail at IR@ptc.com.

Stockholders Sharing the Same Surname and Address. In some cases, stockholders holding their shares in a brokerage or bank account who share the same surname and address received only one copy of the notice or materials. This practice reduces duplicate mailings and saves printing and postage costs and natural resources. If you would like to receive a separate copy of the notice, our annual report and/or proxy statement or to receive separate copies of future mailings, please submit your request to the address or phone number that appears on your notice or proxy card. We will deliver such additional copies promptly upon receipt of such request. Stockholders receiving multiple copies at the same address may request that they receive only one. To do so, please submit your request to the address or phone number that appears on your notice or proxy card.

PROPOSAL 1: ELECTION OF DIRECTORS

Our Board of Directors is divided into three classes with staggered three-year terms. The terms of the Class III directors – Janice Chaffin, James Heppelmann, and Paul Lacy – expire at this year's annual meeting. The Corporate Governance Committee has recommended to the Board, and the Board has nominated, Ms. Chaffin and Messrs. Heppelmann and Lacy for reelection to a three year term expiring at the 2017 Annual Meeting of Stockholders. The Class I and Class II directors will continue in office following the Annual Meeting.

Information about Our Directors. Information about each of the director nominees and continuing directors, including their experience, qualifications and skills that led the Corporate Governance Committee and the Board to conclude that the director should serve as a director of the company, is discussed below. Also discussed is the selection process for Ms. Chaffin, who was elected to the Board in August 2013. Additional information about the Corporate Governance Committee's process for selecting and evaluating director nominees is described under "CORPORATE GOVERNANCE, Corporate Governance Committee." Information about the directors' PTC stock ownership is set forth in "INFORMATION ABOUT PTC COMMON STOCK OWNERSHIP, Stock Owned by Directors and Officers."

Independence of Our Directors. Our Board of Directors has determined that all of our directors except Mr. Heppelmann (our President and Chief Executive Officer) and Professor Porter (who has a consulting agreement with PTC as described in "Transactions with Related Persons") are "Independent" under applicable NASDAQ rules. None of the independent directors, to our knowledge, had any business, financial, family or other type of relationship with PTC or its management, other than as a director and stockholder, that would impact their independence.

The Board of Directors recommends that you vote FOR the election of Janice Chaffin, James Heppelmann and Paul Lacy as Class III directors.

Nominees for Election at the 2014 Annual Meeting of Stockholders

Class III Directors	Director Since	Term Expires
Janice D. Chaffin, age 59	2013	2014

Group President, Consumer Business Unit (Retired), Symantec Corporation, a provider of security, backup and availability solutions. Ms. Chaffin served as Group President, Consumer Business Unit of Symantec from April 2007 to March 2013. Prior to that, she served as Chief Marketing Officer of Symantec from 2003 to 2007.

Ms. Chaffin is also a director of International Game Technology, a position she has held since September 2010.

Ms. Chaffin was elected in August 2013 after a search conducted by the Corporate Governance Committee. The search was conducted with the assistance of a professional search firm retained by the Committee. The search firm used the criteria provided by the Committee, which included technology industry and marketing experience, to identify potential candidates. Members of the Committee, the Board and executive management met with Ms. Chaffin to assess the qualifications and experience she would bring to the Board. All concurred that Ms. Chaffin is well-qualified to serve on the board as a result of her experience at Symantec and, prior to that, her experience at Hewlett-Packard Company (1981 to 2003), where she held a variety of marketing and business management positions. Ms. Chaffin has leadership and management skills and significant marketing experience that the Board believes will be valuable to the Board and PTC.

Ms. Chaffin attended 100% of the Board meetings held during her current term.

James E. Heppelmann, age 49	2008	2014

President and Chief Executive Officer of PTC since October 2010. Mr. Heppelmann was President and Chief Operating Officer of PTC from March 2009 to September 2010, Executive Vice President and Chief Product Officer of PTC from February 2003 to February 2009, and Executive Vice President, Software Solutions and Chief Technology Officer of PTC from June 2001 to January 2003. Mr. Heppelmann joined PTC in 1998.

Through his positions with PTC and through his significant prior experience in the product development software industry (including as founder and President of Windchill Technology, which was acquired by PTC), Mr. Heppelmann has gained significant leadership, management and operating experience, extensive knowledge of PTC's products and services and of the markets in which PTC competes, and technical, financial, strategic and marketing

expertise. In his first year as President and Chief Executive Officer of PTC (2011), PTC achieved its then highest revenue year in PTC's history and improved operating margins. He has also established a management team to support his vision and drive for excellence. Mr. Heppelmann was instrumental in identifying and achieving the successful acquisitions of Servigistics, Inc. and MKS Inc., key strategic acquisitions for PTC in fiscal 2013 and 2011.
Mr. Heppelmann attended 100% of the Board meetings during his current term.

Proposal 1: Election of Directors

Class III Directors, Cont'd.	Director Since	Term Expires
Paul A. Lacy, age 66	2009	2014

President (Retired), Kronos Incorporated, a global enterprise software company. Mr. Lacy served as President and Secretary of Kronos from May 2006 through June 2008. Prior to that, Mr. Lacy served as President, Chief Financial and Administrative Officer, Treasurer and Secretary of Kronos from November 2005 through April 2006, and as Executive Vice President and Chief Financial and Administrative Officer of Kronos from April 2002 through October 2005.

During his tenure at Kronos, Kronos grew from a $26 million hardware company into a $662 million public global enterprise software company and Mr. Lacy gained significant public company software experience. As a result of his experience at Kronos, Mr. Lacy possesses leadership, management and operating experience and significant financial, accounting and corporate governance expertise.

Mr. Lacy attended 100% of the meetings of the Board and 98% of the meetings of the committees on which he serves during his current term (missing one re-scheduled meeting due to a prior commitment).

Continuing Directors

Class I Directors	Director Since	Term Expires
Donald K. Grierson, age 79	1987	2015

Chief Executive Officer (Retired), ABB Vetco International, an oil services business. Mr. Grierson was Chief Executive Officer and President of ABB Vetco Gray, Inc. from September 2002 to November 2004 and from 1991 to March 2001. Mr. Grierson served as Executive Director of ABB Vetco Gray, Inc. from March 2001 to September 2002.

Mr. Grierson has significant leadership, management and operating experience, as well as financial, strategic and corporate governance expertise as a result of his service as the chief executive officer of ABB Vetco International and ABB Vetco Gray. He also has a deep understanding of the manufacturing industry generally (the key industry served by PTC's products). Given his tenure as a director of PTC since 1987, Mr. Grierson has extensive knowledge of PTC's business and the markets in which PTC operates. As Chairman of the Board and the former Lead Independent Director, Mr. Grierson has been instrumental in developing Board meeting agendas and serving as a liaison between and among the directors and management.

Mr. Grierson attended 100% of the meetings of the Board and of the committees on which he serves during his current term.

Renato M. Zambonini, age 67	2011	2015

President and Chief Executive Officer (Retired) of Cognos Incorporated, a global leader in corporate performance management solutions. Mr. Zambonini was Chief Executive Officer of Cognos from September 1995 to June 2004 and President of Cognos from January 1993 to April 2002.

Mr. Zambonini is also a director at CA, Inc., a position he has held since 2005. Mr. Zambonini served as a director of Cognos Incorporated from 1994 to 2008, and as its Chairman of the Board from 2004 to 2008. He also served as a director at Emergis Inc. from 2005 to 2008.

In his position as Chief Executive Officer of Cognos, Mr. Zambonini is credited with having led Cognos's transformation from a specialized business intelligence software tools provider to a global leader in corporate performance management solutions, demonstrating significant leadership and strategic vision. We believe this experience is a valuable asset as PTC has undergone a similar transformation from a CAD tools provider to an

enterprise software company. In addition, as result of his experiences at Cognos and as a director of other software companies, Mr. Zambonini has leadership, management and operating experience, a deep understanding of software technology and the software industry, and significant financial, strategic and corporate governance expertise.
Mr. Zambonini attended 97% of the meetings of the Board and of the committees on which he serves during his current term (missing one special meeting due to a prior commitment).

Proposal 1: Election of Directors

Class II Directors	Director Since	Term Expires
Thomas F. Bogan, age 62	2011	2016

Venture Partner of Greylock Partners, a venture capital firm, since January 2010, and a Partner of Greylock Partners from May 2004 to December 2009. Prior to that, Mr. Bogan was President of Rational Software Corporation, an S&P 500 enterprise software company.

Mr. Bogan also serves as Chairman of the Board of Directors of Citrix Systems, Inc. and as a director at Rally Software Development Corp.

Mr. Bogan brings to the Board senior leadership and operational experience in the software industry as a result of his experience at Rational Software. In addition, his experience at Rational in Application Lifecycle Management (ALM) is an asset as PTC integrates MKS, an ALM company acquired by PTC in 2011. Mr. Bogan also has significant strategic expertise as a result of his experience at Rational and as a venture capital investor at Greylock Partners, and significant financial and accounting expertise as a result of his positions as a financial officer in public and private companies and positions in public accounting earlier in his career. Mr. Bogan also has corporate governance expertise as a result of his position as Chairman of the Board of Directors of Citrix.

Mr. Bogan attended 100% of the meetings of the Board and the committees on which he serves during his current term.

Michael E. Porter, age 66	1995	2016

Bishop William Lawrence University Professor based at Harvard Business School. Professor Porter has been a Professor at Harvard Business School since 1973 and has been a University Professor since 2001.

As a professor of competitive strategy at Harvard Business School and a leading expert in the business strategy field, Professor Porter brings significant strategic expertise to the Board. As a director of PTC since 1995, Professor Porter has extensive knowledge of PTC’s business.

Professor Porter is also a director of Scotts Miracle-Gro Company and Merrimack Pharmaceuticals, positions he has held since January 2013 and December 2010, respectively. Professor Porter was a director of Thermo Fisher Scientific Inc. from July 2001 to May 2012.

Mr. Porter attended 88% of the meetings of the Board and of the committee on which he serves during his current term (missing one special meeting due to a prior commitment).

Robert P. Schechter, age 65	2009	2016

Chief Executive Officer (Retired), NMS Communications Corporation, a provider of hardware and software solutions for the communications industry. Mr. Schechter served as Chairman and Chief Executive Officer of NMS from 1995 to 2008.

As a result of his experience at NMS and at other companies in the software and technology industries, Mr. Schechter has significant leadership, management, international operating and sales and marketing experience, as well as significant corporate governance expertise. He also has significant financial and accounting expertise as a result of those experiences and as a former partner at Coopers & Lybrand LLP and Chairman of its North East Region High Tech Practice.

Mr. Schechter is also a director of Tremor Video Inc., a position he has held since June 2013, and of EXA Corporation, a position he has held since June 2008. Mr. Schechter was a director of Unica Corporation from January 2005 to October 2010 and of Soapstone Networks, Inc. from June 2003 to July 2009.

Mr. Schechter attended 94% of the meetings of the Board and of the committees on which he serves during his current term (missing one special meeting due to a prior commitment).

CORPORATE GOVERNANCE

Board Meetings and Attendance at the Annual Meeting

PTC's Board currently schedules five regular meetings during each fiscal year, but will meet more often if necessary. The Board met nine times in 2013. All directors attended all regularly scheduled meetings held during their terms in 2013 and all attended the four special meetings held during their terms in 2013 except for Messrs. Porter, Schechter and Zambonini, each of whom was unable to attend one special meeting (not all missed the same special meeting) due to a prior commitment. We expect that each director will attend the Annual Meeting of Stockholders each year, barring other significant commitments or special circumstances. All of the then current directors attended the 2013 Annual Meeting of Stockholders.

The Committees of the Board

The Board has four standing committees:

- the Audit Committee,
- the Compensation Committee,
- the Corporate Governance Committee, and
- the Corporate Development Committee.

Each of the committees acts under a written charter, all of which are available on the Investor Relations page of our website at www.ptc.com.

Audit Committee

The Audit Committee assists our Board in fulfilling its oversight responsibilities for accounting and financial reporting compliance. This includes reviewing the financial information provided to stockholders and others, PTC's accounting policies, disclosure controls and procedures, internal accounting and financial controls, and the audit process. The Committee meets with management and with our independent registered public accounting firm to discuss our financial reporting policies and procedures, our internal control over financial reporting, the results of the independent auditor's examinations, PTC's critical accounting policies and the overall quality of PTC's financial reporting, and the Committee reports on such matters to our Board. The Committee meets with the independent auditor with and without PTC management present.

The Committee is directly responsible for the appointment (and, if appropriate, replacement), evaluation and compensation of the independent auditor. The Committee reviews the independent auditor's performance in conducting the annual financial statement audit and the audit of our internal control over financial reporting, assesses the independence of the auditor, and reviews the auditor's fees. The Committee is also responsible for pre-approving audit and non-audit related services that may be performed by the independent auditor. Further information about the services and fees of PricewaterhouseCoopers LLP, our independent auditor, is provided in "PROPOSAL 3: CONFIRM THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014, PricewaterhouseCoopers LLP Professional Services and Fees."

All Committee members are "independent directors" under both SEC rules and the listing requirements of The NASDAQ Global Select Market governing the qualifications of members of the Audit Committee, and none of them has ever been an employee of PTC or any of its subsidiaries. The Board of Directors has determined that Mr. Schechter, Mr. Bogan and Mr. Lacy qualify as Audit Committee Financial Experts, as defined by the SEC. All members attended all meetings held during their terms.

Compensation Committee

The Compensation Committee establishes the compensation levels for our executive officers and oversees our employee compensation programs, including the corporate bonus programs. This includes setting performance goals relevant to compensation of executive officers and evaluating performance against those goals. The Committee is also responsible for administering our equity compensation plans. It also reviews and makes recommendations to the Board with respect to director compensation.

All Committee members are "independent directors" under The NASDAQ Global Select Market listing requirements. All members attended all meetings held during their terms.

Outside Advisors; Role of the Compensation Consultant. The Committee may engage compensation consultants or other advisors to provide information and advice to the Committee. The costs of such engagements are paid by PTC. The Committee engaged Pearl Meyer & Partners, LLC as its independent compensation consultant for 2013. The Committee has assessed the independence of Pearl Meyer and determined that Pearl Meyer is independent of PTC and has no relationships that could create a conflict of interest with PTC. As part of its assessment, the Committee considered the fact that Pearl Meyer provides only minimal other services to PTC and consults with PTC's management only as necessary to provide the services described below. PTC paid $205,616 to Pearl Meyer for services performed for the Committee and $17,500 for acquisition-related services for PTC during 2013.

Pearl Meyer provides a range of services to the Committee to support the Committee in fulfilling its responsibilities, including providing legislative and regulatory updates, peer group compensation data so that the Committee can set compensation for executives, advice on the structure and competitiveness of our compensation programs, and advice on the consistency of our programs with our executive compensation philosophy. Pearl Meyer attends Committee meetings, reviews compensation data with the Committee, and participates in discussions regarding executive compensation issues. The Committee meets with Pearl Meyer with and without PTC management present. Pearl Meyer does not determine or recommend the amount or form of compensation established.

Consultation with Management; Committee Decisions. Members of management, including our Chief Executive Officer and President, our Chief Financial Officer, our Executive Vice President, Strategy (who is responsible for Human Resources), our Corporate Vice President, Corporate Human Resources, and our Corporate Vice President and General Counsel, participate in Compensation Committee meetings as requested by the Committee to present and discuss the materials provided, including recommendations to be considered relative to executive pay and competitive market practices. These members of management primarily assist the Committee in understanding PTC's business plan and long-term strategic direction, developing the performance targets for our performance-based compensation programs, and understanding the technical or regulatory considerations as well as the motivational factors of the decisions that are intended to drive executive and company performance. Although the Committee solicits input and perspective from management with respect to executive compensation, decisions on executive compensation are made solely by the Committee and, in the case of the Chief Executive Officer's compensation, without the presence of the Chief Executive Officer.

Delegation under the Equity Plan. The Committee is authorized to delegate to executive officers the power to make awards under the 2000 Equity Incentive Plan other than to directors and executive officers and to make all determinations under the Plan with respect thereto, provided that the Committee establishes the aggregate and individual maximum amounts of such awards. The Committee has delegated to our Chief Executive Officer the authority to make awards to employees under the 2000 Equity Incentive Plan within established parameters. (See "Timing of Equity Grants" on page XX for such parameters.)

Additional Information. For more information about the responsibilities and decisions of the Committee, including the processes for determining director and executive compensation, see "Director Compensation," "Compensation Discussion and Analysis" and "Executive Compensation" in this proxy statement.

Corporate Governance Committee

The Corporate Governance Committee is responsible for corporate governance, including compliance, and the nomination of directors. The Corporate Governance Committee is appointed by the Board to:

- develop and recommend policies and processes regarding corporate governance,
- oversee the company's implementation and administration of its compliance programs,
- make recommendations regarding potential nominees for election to the Board and membership on committees of the Board, and
- maintain a CEO succession plan in order to ensure continuity of leadership for PTC.

All Committee members are "independent directors" under The NASDAQ Global Select Market listing requirements. All members attended all meetings held during their term.

The Corporate Governance Committee's responsibilities regarding director nominations are to:

- determine the desired Board skills and attributes for directors;
- consider and recruit candidates to fill positions on the Board;
- review candidates recommended by stockholders;
- conduct the appropriate and necessary evaluations of the backgrounds and qualifications of possible director candidates; and
- recommend director nominees for approval by the Board or the stockholders.

The Committee may obtain recommendations from director search firms engaged for the purpose of recruiting new directors, or through their contacts. Director search firms engaged by the Committee will generally be paid a retainer to identify and screen candidates meeting specifications established by the Committee for a particular search. Such specifications will change from one search to another based on the Committee's determination of the Board's needs at the time.

Qualifications for Director Nominees and Diversity

The Corporate Governance Committee does not rely on a fixed set of qualifications for director nominees. The Committee's primary mandate with respect to director nominees is to create a Board with a diversity of skills and attributes that is aligned with PTC's strategic needs. The minimum qualifications for director nominees are that they:

- be able to dedicate the time and resources sufficient for the diligent performance of the duties required of a member of the Board of Directors;
- not hold positions or interests that conflict with their responsibilities to PTC; and
- comply with any other minimum qualifications for either individual directors or the Board as a whole mandated by applicable laws or regulations.

Additionally, PTC's Corporate Governance Guidelines require that at least a majority of members of the Board of Directors qualify as independent directors in accordance with NASDAQ independence rules.

Corporate Governance

Evaluation and Nomination Process

The Corporate Governance Committee's process for evaluating nominees for director is to consider an individual's skills, character and professional ethics, judgment, leadership experience, business experience and acumen, familiarity with relevant industry issues, national and international experience, and such other relevant criteria as may contribute to the Board's effectiveness and PTC's success. This evaluation is performed in light of the Committee's view that diversity among the directors as to personal and professional experiences, opinions, perspectives and backgrounds is desirable. The Committee also strives to identify qualified women and minority candidates. The Committee does not foreclose any sources when identifying potential candidates.

The Corporate Governance Committee reviews candidates recommended by stockholders in the same manner and using the same general criteria as candidates recruited by the Committee and/or recommended by the Board. The Committee will consider persons recommended by stockholders for nomination as a director in accordance with the procedures described under "STOCKHOLDER PROPOSALS AND NOMINATIONS."

Corporate Development Committee

The Corporate Development Committee evaluates corporate development opportunities, including mergers and acquisitions, and assists management in developing strategies and processes regarding such initiatives. The Committee is authorized to approve transactions within parameters established by the Board from time to time. All members attended the two meetings held in 2013.

Board Leadership Structure

Our Board is currently led by an independent Chairman (Mr. Grierson). Our policy is to have a Lead Independent Director if the Chairman is not independent. We believe the current Board leadership structure serves us and our stockholders well by having an independent Chairman to provide independent leadership of the Board.

Risk Oversight

The Board exercises its oversight responsibilities with respect to the risks facing PTC at the Board level and through its committees, in particular, the Audit, Corporate Governance, and Compensation Committees.

- The Audit Committee is responsible for overseeing risk management as it relates to PTC's financial condition, financial statements, financial reporting process and accounting matters.
- The Corporate Governance Committee oversees PTC's compliance programs.
- The Compensation Committee is responsible for overseeing PTC's overall compensation practices, policies and programs and assessing the risks associated with such practices, policies and programs. (See "ASSESSMENT OF RISKS ASSOCIATED WITH OUR COMPENSATION PROGRAMS" for a description of our assessment of those risks.)

The Board and the relevant committees review with PTC's management the risk management practices for which they have oversight responsibility. Since overseeing risk is an ongoing process and inherent in PTC's strategic decisions, the Board and the relevant committees do not view risk in isolation, but discuss risk throughout the year in relation to proposed actions and initiatives.

Communications with the Board

Stockholders may send communications to the Board of Directors in the manner described in "Contact Information" and "Contact the Board" on the Investor Relations page of our website, www.ptc.com.

DIRECTOR COMPENSATION

We pay our non-employee directors a mix of cash and equity compensation. The amounts established for the annual cash and equity retainers for 2013 are shown in the table below.

Director Annual Retainers

Director Name	Chair Position	Annual Retainer	Committee Chair Retainer	Annual Equity Retainer Value
Donald Grierson	Chairman of the Board Compensation Committee	$115,000	-- -- -	$300,000
Thomas Bogan		$50,000		$215,000
Janice Chaffin		$29,167 (1)	--	$125,396 (1)
Paul Lacy	Corporate Governance Committee	$50,000	$5,000	$215,000
Michael Porter	Corporate Development Committee	$50,000	$5,000	$215,000
Robert Schechter	Audit Committee	$50,000	$15,000	$215,000
Renato Zambonini		$50,000		$215,000

(1) Pro-rated for the year based on election to the Board in August 2013.

Director Compensation Process and Decisions.

New Director Compensation. In connection with the election of a new director, such as Ms. Chaffin in 2013, in addition to establishing pro-rated compensation for the year, the Board makes a one-time equity grant that vests over two years in an amount determined in accordance with the company's prior practice and a competitive assessment of director compensation practices. The award is meant to increase the director's stock ownership over time to further align the director's interests with those of PTC stockholders and to compensate the director for the investment of time the director will make in understanding the company's business.

Annual Compensation. At the meeting of the Board of Directors held directly after the Annual Meeting of Stockholders, the Compensation Committee recommends to the Board the compensation to be paid to the directors for the year. The Board, after considering this recommendation, then establishes the annual compensation for the directors. In making its recommendation, the Committee considers a competitive assessment of the directors' compensation with that of the compensation peer group (shown on page XX) and reviews each element of director compensation, including the annual retainer, the committee chair retainer, meeting fees and equity awards, to determine whether the amounts are competitive and reasonable for the services provided by the directors. For 2013, the directors' compensation was positioned at the median of the compensation peer group.

We provide higher annual retainers for service as the Chairman of the Board and for service as the Chair(s) of the Audit and the Compensation Committees given the additional work required by those positions. We do not pay a committee chair retainer to the Chairman of the Board for service as the Chair of any committee.

For 2013, we eliminated meeting fees for attendance at board meetings and in lieu thereof increased the amount of the annual board retainer by $15,000. We retained committee meeting fees ($2,000 for attendance at each committee meeting of which the director is a member) as we believe it correlates the amount of work required with the compensation paid.

We also believe that providing a majority of our directors' annual retainer compensation in the form of equity rather than cash serves to further align the interests of our directors with our stockholders as they become stockholders themselves.

Director Compensation

2013 Director Compensation

The amounts shown in the “Fees Earned or Paid in Cash” column of the table reflect each director’s annual board and committee retainer fees and meeting fees. The amounts shown in the “Stock Awards” column of the table reflect the value of the equity awards made to the directors in the year.

Name(1)	Fees Earned or Paid in Cash ($)	Stock Awards(2)(3) ($)	All Other Compensation ($)	Total ($)
Donald Grierson Chairman of the Board Chair, Compensation Committee	$153,000	$ 299,978(4)	$ —	$452,978
Thomas Bogan	$80,000	$ 214,998(4)	$ —	$294,998
Janice Chaffin	$29,167	$ 447,870(5)	$ —	$477,037
Paul Lacy Chair, Corporate Governance Committee	$97,000	$ 214,998(4)	$	$311,998
Michael Porter Chair, Corporate Development Committee	$65,000	$ 214,998(4)	$ 30,000(6)	$309,998
Robert Schechter Chair, Audit Committee	$99,000	$ 214,998(4)	$ —	$313,998
Renato Zambonini	$74,000	$ 214,998(4)	$ 11,225(7)	$300,223

(1) Due to his employment relationship with PTC, Mr. Heppelmann, our President and Chief Executive Officer, receives no compensation for his service as a director and, accordingly, is not shown in the Director Compensation table.

(2) Grant date fair value of restricted stock units. The grant date fair value is equal to the number of RSUs granted multiplied by the closing price of our common stock on The NASDAQ Global Select Market on the grant date.

(3) The number of outstanding stock options, shares of restricted stock and RSUs held by each named director as of September 30, 2013 is shown in the table below.

Name	Options	Shares of Restricted Stock	Restricted Stock Units
Donald Grierson	--	--	12,249
Thomas Bogan	--	--	8,779
Janice Chaffin	--	--	16,551
Paul Lacy	--	--	8,779
Michael Porter	10,000*	4,701	8,779
Robert Schechter	--	--	8,779
Renato Zambonini	--	4,701	8,779

* All options are vested and exercisable.

(4) Grant date fair value of RSUs granted on March 6, 2013 at $24.49 per share.

(5) Grant date fair value of RSUs granted on August 16, 2013 at $27.06 per share.

(6) The amount represents one speaking engagement fee under a consulting agreement with PTC (described in “Transactions with Related Persons”).

(7) The amount represents reimbursement of accountant fees and administrative penalties associated with reporting of stock-based compensation.

Director Compensation

Director Stock Ownership Policy; Hedging; Pledging. Because we believe our directors' interests are best aligned with those of our stockholders if they maintain significant exposure to our stock, our non-employee directors are required to attain and maintain an ownership level of PTC common stock with a value equal to five times their respective annual Board cash retainer (the value of unvested restricted stock, options and pledged stock is not included in this calculation). All our directors exceed the minimum holding requirements under the policy. Our Director Stock Ownership Policy is available on the Investor Relations page of our website at www.ptc.com. We also prohibit hedging of our stock. Because it does not reduce a director's exposure to our stock, we permit our directors to pledge our stock, subject to limits that we believe minimize the potential impact of any forced sale of the pledged stock.

PROPOSAL 2: ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

This advisory vote on the compensation of our Chief Executive Officer, Chief Financial Officer and three other executive officers named in the Summary Compensation Table (our “named executive officers”) gives stockholders the opportunity to express their views on our named executive officers’ compensation. This “say-on-pay” vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers. Additional information about such compensation is discussed in “Compensation Discussion and Analysis” and “Executive Compensation.”

The Board of Directors recommends that you vote FOR the approval of the compensation of our named executive officers as disclosed in “Compensation Discussion and Analysis” and the tables and related disclosures contained in “Executive Compensation.”

Why You Should Approve the Compensation of Our Named Executive Officers

Our compensation programs are designed to pay for performance. We significantly redesigned our executive compensation program in 2013 by adopting a long-term approach for our performance-based equity awards and implementing separate performance measures within our short- and long-term incentive programs. We believe these changes demonstrate responsiveness to shareholders, support our philosophy of paying for performance, and motivate our executives to drive long-term financial performance and increase shareholder value.

In accordance with our pay-for-performance philosophy, a large portion of the compensation of our named executive officers is comprised of performance-based pay. For 2013, 45% of our CEO’s target compensation was performance-based (versus 33% of CEO compensation for our peer group) and 41% of our other named executive officers’ target compensation was performance-based (in line with our peer group). Our compensation programs are designed so that if the performance-based compensation is earned in full, total compensation earned by the executives will be between the second and third quartiles of the compensation paid by our peer group.

For 2013, the executives’ cash bonus was tied to achievement of a 10% increase in non-GAAP operating margin percent and their performance-based equity was tied to achievement of a 20% increase in non-GAAP operating margin dollars. PTC achieved a 13.2% increase in non-GAAP operating margin percent for 2013 and the executives earned 100% of their cash bonus. PTC achieved a 16.5% increase in non-GAAP operating margin dollars, being 97.1% of the target, and the executives earned 85.4% of their performance-based equity that could be earned for 2013. (As described further on page 26, the 2013 performance-based equity has three performance periods, with approximately one-third of the equity awarded eligible to be earned for each of 2013, 2014 and 2015, with amounts not earned in a year eligible to be earned in the next.)(Additional information about the 2013 cash bonus plan is described on page 25 and information about the relationship between our GAAP results and the non-GAAP calculations under the performance plans is set forth on Appendix A.)

Our compensation programs are designed to align our executives’ interests with our stockholders’ interests. In addition to weighting our executives’ compensation to performance-based pay, a substantial portion of their compensation is in the form of equity that vests over three years. Moreover, our executives are subject to substantial stock ownership requirements (excluding stock options and unvested equity). These elements serve to align our executives’ interests with those of our stockholders in the long-term value of PTC stock.

Proposal 2: Advisory Vote on the Compensation of our Named Executive Officers

Our compensation programs are developed by independent directors advised by an independent consultant. Our Compensation Committee is comprised only of independent directors and retains an independent compensation consultant to advise it on appropriate compensation practices.

Effect of Say-on-Pay Vote

This say-on-pay vote, which is required by Section 14A of the Securities Exchange Act of 1934, is advisory only and is not binding on the company, the Compensation Committee or our Board of Directors. Although the vote is advisory, we, our Compensation Committee and our Board of Directors value the opinions of our stockholders and will consider the outcome of this vote when establishing future compensation for our executive officers. We will hold such a vote each year.

COMPENSATION DISCUSSION AND ANALYSIS

As discussed in Proposal 2, we are conducting a “say-on-pay” vote that asks you to approve the compensation of our named executive officers as described in this section and in the tables and accompanying narrative contained in “Executive Compensation.”

The Compensation Committee of our Board of Directors determines the compensation for our executives. We discuss below our executive compensation program and the compensation decisions made for 2013 for our Chief Executive Officer, our Chief Financial Officer, and the three other executive officers named in the Summary Compensation Table (collectively, our “named executive officers”).

Executive Summary of Our Compensation Programs

We design our compensation programs to support PTC’s financial goals and increase shareholder value. We significantly redesigned our executive compensation program in 2013 by adopting a long-term approach for our performance-based equity awards and implementing separate performance measures within our short- and long-term incentive programs. We believe these changes demonstrate responsiveness to shareholders, support our philosophy of paying for performance, and motivate our executives to drive long-term financial performance and increase shareholder value.

The performance measures we select for our long-term performance-based equity and our performance-based cash bonus are designed to support our goals of expanding our non-GAAP operating margin and achieving significant annual growth in non-GAAP EPS. We believe this will increase the value of the company and increase our share price, both of which will benefit stockholders.

Accordingly, for 2013, our executives’ annual cash bonus was tied to company achievement of 10% non-GAAP operating margin percent growth over 2012 and their performance-based equity was tied to company achievement of 20% non-GAAP operating margin dollar growth over 2012 in 2013 and subsequent equal increases in non-GAAP operating margin dollars in 2014 and 2015.

We pay for performance. The core of our executive compensation philosophy is pay for performance. Accordingly, a significant portion of our executives’ compensation is comprised of performance-based pay. Our executives’ compensation for 2013 reflects this linkage.

- 2013 was another successful year for PTC. We increased our non-GAAP operating margin percent by 12.6%, our non-GAAP operating margin dollars by 16.0%, and non-GAAP EPS by 19.6%. These results reflect our progress toward delivering our goal of non-GAAP operating margin expansion.
- Our executives’ target compensation for 2013 consisted of a base salary, a performance-based cash bonus and performance- and service-based equity awards. Based on the mix of these items, 45% of our CEO’s and 41% of our other named executives’ target compensation was performance-based for 2013, which for our CEO was a higher percentage than the average of our peers.

Compensation Discussion and Analysis

- Based on PTC's achievement of 13.2% non-GAAP operating margin percent growth (as calculated under the bonus plan) against a target of 10% non-GAAP operating margin percent growth, the executives earned 100% of their cash bonus.
- Based on PTC's achievement of $287.4 million in non-GAAP operating margin dollars in 2013 (as calculated under the award, an increase of 16.5% over 2012) against a performance target of $296.1 million non-GAAP operating margin dollars, the executives earned 85.4% of the 2013 performance-based equity eligible to be earned for 2013.

Our performance in 2013 relative to 2012 is shown in the first table below and our executives' compensation for 2013 relative to 2012 is shown in the second table below.

2013 Performance Compared to 2012

	2013		2012		% Change	
	Non-GAAP(1)	GAAP	Non-GAAP(1)	GAAP	Non-GAAP(1)	GAAP
Operating Margin Dollars	$286.3 million	$127.3 million	$246.8 million	$128.1 million	16.0%	(0.60)%
Operating Margin	22.1%	9.8%	19.6%	10.2%	12.6%	(4)%
Earnings (Loss) per Share	$1.81	$1.19	$1.51	$(0.30)	19.6%	500%
Stock Price on September 30	$28.46		$21.77		31%	

(1) A reconciliation between the Non-GAAP measures and GAAP results is located in Appendix A at the end of this proxy statement.

2013 NEO Compensation Compared to 2012	2013(1)	2012(1)	% Change
James Heppelmann President and Chief Executive Officer	$6,507,640	$6,909,766	(5.82)%
Jeffrey Glidden Executive Vice President, Chief Financial Officer	$2,597,628	$2,965,575	(12.41)%
Barry Cohen Executive Vice President, Strategy	$2,589,978	$2,958,075	(12.44)%
Marc Diouane Executive Vice President, Global Services and Partners	$2,065,121	$2,211,760	(6.63)%
Robert Ranaldi Executive Vice President, Global Sales and Distribution	$2,057,640	(2)	(2)

Compensation for PTC's CEO, CFO and three most highly compensated officers for 2013 ("named executive officers" or "NEOs"). Compensation consists of salary paid, performance-based bonus paid, grant date value of RSUs granted, 401(k) Plan matching contributions and, for Mr. Diouane, amounts associated with his overseas service.

(1) The amounts for each of 2013 and 2012 include the grant date value of performance-based restricted stock units that were subject to performance criteria for 2013 and are subject to performance criteria for 2014 and 2015 under the 2013 RSUs and for 2014 under the 2012 RSUs. The amounts for each of 2013 and 2012 also include the value of RSUs granted in the year that are subject to service conditions to vesting over three years from the date of grant.

(2) Mr. Ranaldi was not a Named Executive Officer in 2012.

We are responsive to shareholder concerns.

In 2013, we received over 99% approval of our Say-on-Pay proposal, representing a significant increase over our 76% approval rating in 2012. We believe that increase and approval rating indicated stockholder approval of the changes we made in response to the 2012 vote, including adoption of different criteria for our short-term and long-term performance plans, adoption of three-year performance criteria for our long-term performance plans, and adoption of a compensation "clawback" policy. We considered the 2013 vote, and our belief that it indicated stockholder approval of the redesign of

the compensation plans, and we made compensation decisions for 2013 accordingly. For 2014, we have revisited the performance-based and service-based equity mix to revert to a 50/50 split, replacing the 40/60 split we used for 2013 in connection with the redesign of our compensation plans.

We maintain compensation practices that benefit stockholders.

- Our performance-based equity awards have performance measures that span up to three years and our service-based equity awards vest over a period of three years to ensure that our executives maintain a long-term view of shareholder value.
- The amounts our executives can earn under our annual corporate performance-based incentive plans are capped. Accordingly, amounts earned under the annual plan are predictable and performance above incentive plan targets benefits stockholders.
- We have a compensation "clawback" policy under which incentive compensation paid to our executive officers for 2013 and thereafter that is subsequently determined not to have been earned due to restatement of prior period financial results may be recovered from those officers whose misconduct led to the need for the restatement.
- We design our compensation policies and practices to mitigate risks to the company that could be posed by those policies and practices. (See "ASSESSMENT OF RISKS ASSOCIATED WITH OUR COMPENSATION PROGRAMS.")
- Unvested and unexercised equity awards, including options, are not transferable.
- We do not have a salary merit increase program for our executives.
- We do not provide significant perquisites or supplemental retirement benefits to our executives.
- We require our executives to maintain specified levels of ownership of our stock to ensure that their interests are even more effectively linked to those of our stockholders. (See "Equity Ownership" on page 28.)
- We do not allow our executives to hedge their exposure to ownership of, or interest in, PTC stock; nor do we allow them to engage in speculative transactions with respect to PTC stock or to pledge their PTC stock.
- Our executive agreements:
  - do not contain tax "gross-ups" on "golden parachute" payments in connection with a change in control, and we have committed that we will not include such a gross-up in any future executive agreements,
  - contain "double triggers" that require termination in connection with a change in control before most equity is accelerated, and
  - provide only limited severance benefits, and no equity acceleration, in connection with terminations without cause absent a change in control.

  (See "Potential Payments on Termination or Change in Control" on page 37.)
- Our Compensation Committee is comprised of four directors who are "independent" under NASDAQ Stock Market rules. (See "The Compensation Committee" on page 9.)
- Our Compensation Committee's independent compensation consultant, Pearl Meyer & Partners, is retained directly by the Committee, provides only minimal occasional other services to PTC and has no conflicts or potential conflicts of interest. (See "The Compensation Committee" on page 9.)

- Pearl Meyer & Partners attends Compensation Committee meetings, provides data and advice to the Committee, and participates in discussions regarding executive compensation issues, but does not determine or recommend the amount or form of compensation established, which is done solely by the Committee.
- We aim to mitigate the potential dilutive effect of equity awards through a share repurchase program. (We repurchased 3 million shares in 2013 for $75 million.)

Compensation Philosophy & Objectives

We believe that our compensation plans should align our executives' interests with those of our stockholders and reward our executives for their contributions to the long-term success of PTC. We also believe that a substantial portion of our executives' compensation should be performance-based to create appropriate incentives and rewards for achieving performance objectives established by the Committee.

Accordingly, we design our compensation plans and associated performance objectives to:

- support the long-term financial plan and goals of PTC;
- motivate our executives to advance the interests of PTC and increase shareholder value;
- reward our executives for their contributions to the success of PTC; and
- retain our executives.

We assess our executives' compensation against the compensation paid to executives in similar positions in the peer group to ensure that the compensation we pay is competitive and fair to our executives and our stockholders. We seek to accomplish this by establishing target compensation generally within the second and third quartiles of the compensation paid by the peer group.

Compensation Discussion and Analysis

Components of Compensation for 2013

Our executives' compensation for 2013 consisted of the components described in the table below. We also describe why we use each component and the important features of that component.

	Base Salary	Annual Performance-Based Cash Bonus	Long-Term Equity Awards
Objective	Provide a minimum, fixed level of cash compensation.	Focus the executive on achieving specific goals related to PTC's business plan for the current fiscal year.	Promote alignment of the executive's long-term personal interests with the long-term interests of PTC and its stockholders. Provide a retention incentive.
Features	Set within the context of our annual competitive analysis. Adjustments may be made to reflect market conditions for a position, changes in the status or duties associated with a position or internal equity.	Performance goals and target bonus amounts established at beginning of fiscal year. Performance metric was non-GAAP operating margin percent and was established to align with PTC's 2013 business plan.	Provided in the form of restricted stock units (RSUs). 40% of the award for 2013 is performance-based:(1) Performance metric was non-GAAP operating margin dollars and aligned to PTC's business plan. Performance period extends over multiple fiscal years (2013, 2014 and 2015); approximately one-third of the award becomes eligible to vest in each of the periods, with amounts not earned in one period eligible to be earned in later periods. Earned only to the extent the performance criteria are achieved. 60% of the award for 2013 is service-based:(1) Vests in three substantially equal annual installments over the three years following the date of grant if the executive remains employed by PTC on the vest date.

(1) For the 2014 long-term equity awards, 50% of the award is performance-based and 50% is service-based.

Compensation Discussion and Analysis

Other Benefits; Absence of Perquisites

Our executives are eligible to participate in the standard benefits and programs available to all PTC employees on the same terms and conditions as all employees, including our 401(k) savings plan. We provide no other significant benefits or perquisites to our executives.

Mix of Compensation Components

We use the compensation components described in the table above because we believe they provide an appropriate mix of guaranteed compensation and at-risk compensation that promotes short-term and long-term performance and produces appropriate rewards. With this mix, we provide a competitive base salary and service-based equity while providing our executives the opportunity to earn additional compensation through short-term and long-term performance-based incentives designed to produce a targeted level of performance for PTC.

The mix of compensation for our executives is weighted toward at-risk pay (annual performance-based incentives and long-term performance-based equity incentives). Maintaining this pay mix results in a pay-for-performance orientation for all our executives.

We consider all pay elements and their impact on each executive’s target direct compensation when making determinations regarding the amount of each element. Our decisions regarding the pay mix also reflect our belief that long-term incentives, particularly equity awards, provide an important motivational and retentive aspect to the executive’s overall compensation package.

Our compensation mix for 2013 was designed to provide approximately 45% of total compensation through performance-based pay for our Chief Executive Officer, in contrast to our peer group where performance-based compensation made up an average of only 33% of CEO compensation, and approximately 41% of total compensation through performance-based pay for our other executives, which aligned with our peer group. Our annual service-based equity awards to these executives also include an at-risk element as they carry risks of forfeiture and market price decline.

How We Determine the Total Amount of Compensation

We make decisions regarding the amount and mix of compensation awarded to each of these executives based on:

- objective data provided by our external compensation consultant, Pearl Meyer & Partners (we refer to this as the “competitive analysis”),
- subjective analysis of the scope of each executive’s responsibilities, and
- internal pay equity among the executives.

The competitive analysis provides detailed comparative data for our executive positions and assesses each component of compensation, including base salary, annual bonus, long-term incentives and total direct compensation, as well as the mix of compensation between base salary, annual bonus and long-term incentives. We compare this information to our executives’ compensation by similarity of position and generally align our executives’ target total direct compensation to be within the second and third quartiles of peer compensation.

Benchmarking and Survey Data

Benchmarking Data. The peer group we used to benchmark the elements of executive pay was made up of publicly-traded U.S. companies within the software industry, most of which are in the enterprise software space, that have revenues and market capitalizations in a range appropriate for PTC. In evaluating and selecting companies for inclusion in our peer group, we target companies with revenue within an approximately 0.5x to 2x multiple of PTC’s revenue and an approximately 0.3x to 3x multiple of PTC’s market capitalization. However, we may include companies with revenue and/or market capitalizations outside of these parameters if there is strong product and/or service similarity or if they were in our peer group in the prior year and they continue to meet at least one of the parameters. We believe this group represents competition for executive talent in our industry. We review the peer group on an annual basis to ensure that the companies constituting this peer group remain relevant and provide meaningful compensation comparisons.

Compensation Discussion and Analysis

The 2013 peer group consisted of the companies listed below. The 2013 peer group differed from the 2012 peer group due to the removal of Novell Inc. and Lawson Software Inc. as a result of the acquisitions of those companies and the addition of Ansys, Inc. to balance those removals.

2013 Peer Group

			Criteria Matched		
Company	Revenue $M[1]	Market Capitalization $M[1]	Product / Service Similarity	Revenue \$611M - \$2,443M	Market Capitalization \$1,060M - \$9,540M
PTC	$1,221.3	$3,180.1			
Ansys, Inc.	$691.4	$5,861.9	x		x
Autodesk, Inc.	$				