

PROGRESS SOFTWARE CORP /MA
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- 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

PROGRESS SOFTWARE CORPORATION
(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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:
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- 1) Amounts Previously Paid:
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 - 3) Filing Party:
 - 4) Date Filed:
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PROGRESS SOFTWARE CORPORATION

14 Oak Park
Bedford, Massachusetts 01730

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Progress Software Corporation will be held on Thursday, June 6, 2013, commencing at 10:00 a.m., local time, at our principal executive offices located at 14 Oak Park, Bedford, Massachusetts 01730, for the following purposes:

- (1) To elect seven directors to serve until the annual meeting of shareholders held in 2014 and until their respective successors are elected and qualified;
To approve the amendment and restatement of the Progress Software Corporation 2008 Stock Option and Incentive
- (2) Plan, as amended, to, among other things, increase the maximum number of shares that may be issued under that plan by 7,500,000 shares;
- (3) To hold an advisory vote on the compensation of our named executive officers;
- (4) To ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2013; and
- (5) To transact any other business as may properly come before the annual meeting and any adjournment or postponement of that meeting.

Our Board of Directors has fixed the close of business on April 10, 2013 as the record date for determination of the shareholders entitled to receive notice of and to vote at the annual meeting and any adjournment or postponement of the meeting.

By Order of the Board of Directors,

Stephen H. Faberman
Secretary

Bedford, Massachusetts
May 7, 2013

YOUR VOTE IS IMPORTANT

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN AND RETURN THE ENCLOSED PROXY CARD AS SOON AS POSSIBLE. A POSTAGE-PAID ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

PROGRESS SOFTWARE CORPORATION

14 Oak Park
Bedford, Massachusetts 01730

PROXY STATEMENT

This proxy statement is being furnished in connection with the solicitation by the Board of Directors of Progress Software Corporation of proxies for use at the 2013 Annual Meeting of Shareholders to be held on Thursday, June 6, 2013, at 10:00 a.m., local time, at our principal executive offices located at 14 Oak Park, Bedford, Massachusetts 01730. We anticipate that this proxy statement and the form of proxy card will first be mailed to shareholders on or about May 7, 2013.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on June 6, 2013:

This proxy statement and our 2012 Annual Report on Form 10-K are available at:
<http://materials.proxyvote.com/743312>

At the annual meeting, shareholders will be asked to consider and vote upon the following proposals:

- (1) To elect seven directors to serve until the annual meeting of shareholders held in 2014 and until their respective successors are elected and qualified;
To approve the amendment and restatement of the Progress Software Corporation 2008 Stock Option and Incentive Plan, as amended, to, among other things, increase the maximum number of shares that may be issued under that plan by 7,500,000 shares;
- (2) To hold an advisory vote on the compensation of our named executive officers;
- (3) To ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2013; and
- (4) To transact any other business as may properly come before the annual meeting and any adjournment or postponement of that meeting.
- (5)

ABOUT THE MEETING AND VOTING

What is the purpose of the annual meeting?

At our annual meeting, shareholders will act upon the matters outlined in the meeting notice provided with this proxy statement. If you attend the annual 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. Our 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. This proxy statement explains the proposals to be voted on at the annual meeting.

Who can attend the meeting?

All shareholders as of the close of business on April 10, 2013, the record date, or their duly appointed proxies, may attend the meeting. If you plan to attend the meeting, please note that you will need to bring your proxy card or voting instruction card and valid picture identification, such as a driver's license or passport. Cameras, recording devices and other electronic devices will not be permitted at the meeting and all mobile phones must be silenced during the meeting.

Please also note that if you hold your shares through a broker or other nominee, you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date.

Who is entitled to vote at the meeting?

Only shareholders of record at the close of business on April 10, 2013, the record date for the meeting, are entitled to receive notice of and to participate in the annual meeting. If you were a shareholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting. There were 55,136,725 shares of our common stock outstanding on the record date.

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What are the voting rights of the holders of the company's common stock?

Each share of our common stock outstanding on the record date will be entitled to one vote on each matter considered at the meeting.

What is the difference between holding shares as a shareholder of record and a beneficial owner?

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered the shareholder of record with respect to those shares, and these proxy materials are being sent directly to you by us. As the shareholder of record, you have the right to grant your voting proxy directly to us by completing, signing, dating and returning a proxy card, or to vote in person at the annual meeting.

Many of our shareholders hold their shares through a broker, bank or other nominee rather than directly in their own name. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of your shares. We have sent these proxy materials to your broker or bank. As the beneficial owner, you have the right to direct your broker, bank or nominee on how to vote and you are also invited to attend the annual meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the annual meeting unless you request and obtain a proxy from your broker, bank or nominee. Your broker, bank or nominee will provide a voting instruction card for you to use in directing the broker, bank or nominee regarding how to vote your shares.

What is a quorum?

A quorum is the minimum number of our shares of common stock that must be represented at a duly called meeting in person or by proxy in order to legally conduct business at the meeting. For the annual meeting, the presence, in person or by proxy, of the holders of at least 27,568,363 shares, which is a simple majority of the 55,136,725 shares outstanding as of the record date, will be considered a quorum allowing votes to be taken and counted for the matters before the shareholders.

If you are a shareholder of record, you must deliver your vote by mail or attend the annual meeting in person and vote in order to be counted in the determination of a quorum.

Abstentions and broker "non-votes" will be counted as present or represented at the annual meeting for purposes of determining the presence or absence of a quorum. A broker "non-vote" occurs when a broker or other nominee who holds shares for a beneficial owner withholds its vote on a particular proposal with respect to which it does not have discretionary voting power or instructions from the beneficial owner.

What is the difference between a routine matter and a non-routine matter?

Brokers cannot vote on their customers' behalf on "non-routine" proposals such as Proposal 1, the election of directors, Proposal 2, the amendment and restatement of our equity plan, and Proposal 3, the advisory vote on executive compensation. Because brokers require their customers' direction to vote on such non-routine matters, it is critical that shareholders provide their brokers with voting instructions. Proposal 4, ratification of the appointment of our independent registered public accounting firm, will be a "routine" matter for which your broker does not need your voting instruction in order to vote your shares.

How do I vote?

If you are a shareholder of record, you have the option of submitting your proxy card by mail or attending the meeting and delivering the proxy card. The designated proxy will vote according to your instructions. You may also attend the meeting and personally vote by ballot.

If you are a beneficial owner of shares, in order to vote at the meeting, you will need to obtain a signed proxy from the broker or nominee that holds your shares. If you have the broker's proxy, you may vote by ballot or you may complete and deliver another proxy card in person at the meeting.

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 to:

- elect the seven directors nominated by our Board of Directors;
- approve the amendment and restatement of the Progress Software Corporation 2008 Stock Option and Incentive Plan, as amended, to, among other things, increase the maximum number of shares that may be issued under that plan by 7,500,000 shares;
- approve the compensation of our named executive officers; and

approve the ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2013.

If any matter not listed in the Notice of Meeting is properly presented at the meeting, the proxies will vote your shares in accordance with their best judgment. As of the date of this proxy statement, we knew of no matters that needed to be acted on at the meeting other than as discussed in this proxy statement.

How does the Board of Directors recommend that I vote?

FOR proposal one - elect our seven nominees to the Board of Directors.

FOR proposal two - approve the amendment and reinstatement of our 2008 Stock Option and Incentive Plan, as amended.

FOR proposal three - approve the advisory vote on the compensation of our named executive officers.

FOR proposal four - ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending November 30, 2013.

Can I change or revoke my vote?

You may revoke your vote at any time before the proxy is exercised by filing with our secretary a written notice of revocation or by signing and duly delivering a proxy bearing a later date. At the meeting, you may revoke or change your vote by submitting a proxy to the inspector of elections or voting by ballot. Your attendance at the meeting will not by itself revoke your vote.

What vote is required to approve each proposal?

The directors elected at the meeting will be the seven directors receiving the highest number of votes.

- The approval of the amendment and restatement of our 2008 Stock Option and Incentive Plan, as amended, may be approved by the affirmative vote of a majority of the votes cast.

- The advisory vote on the compensation of our named executive officers may be approved by the affirmative vote of a majority of the votes cast.

- The ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2013 may be approved by the affirmative vote of a majority of the votes cast.

If you abstain from voting, it will not count as a vote cast with respect to that proposal.

If you hold your shares in "street name" through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some proposals. For this meeting, if you do not give specific instructions, your broker or nominee may cast your vote in its discretion for proposal 4, the ratification of the appointment of our independent registered public accounting firm. "Broker non-votes", while included for purposes of attaining a quorum, will have no effect on the vote. If you do not give specific instructions, your broker or nominee is not permitted to cast your vote in its discretion for proposal 1, the election of directors, proposal 2, the approval of the amendment and restatement of the 2008 Stock Option and Incentive Plan, as amended, or proposal 3, the advisory vote on the compensation of our named executive officers, and such "broker non-vote" will not be counted in determining the total number of shares necessary for approval of those proposals and will have no effect on those proposals requiring approval by a plurality or majority of the votes cast.

What is "householding" of proxy materials?

In some cases, shareholders holding their shares in a brokerage or bank account who share the same surname and address and have not given contrary instructions received only one copy of the proxy materials. This practice is designed to reduce duplicate mailings and save printing and postage costs. If you would like to have a separate copy of our annual report and/or proxy statement mailed to you or to receive separate copies of future mailings, please submit your request to the address or phone number that appears on your proxy card. We will deliver such additional copies promptly upon receipt of such request.

In other cases, shareholders receiving multiple copies at the same address may wish to receive only one. If you now receive more than one copy, and would like to receive only one copy, please submit your request to the address or phone number that appears on your proxy card.

Who will count the votes and where can I find the voting results?

American Stock Transfer & Trust Company will tabulate the voting results. We will announce the voting results at the annual meeting and we will publish the results by filing a Current Report on Form 8-K with the Securities and Exchange Commission within four business days of the annual meeting.

PROPOSAL 1: ELECTION OF DIRECTORS

Our Board of Directors is currently comprised of seven members. Upon the recommendation of the Nominating and Corporate Governance Committee, our Board of Directors has nominated for election as directors Barry N. Bycoff, John R. Egan, Ram Gupta, Charles F. Kane, David A. Krall, Michael L. Mark and Philip M. Pead, each of whom is currently a director of our company.

Each director elected at the annual meeting will hold office until the next annual meeting of shareholders or special meeting in lieu of such annual meeting and until his successor has been duly elected and qualified, or until his earlier death, resignation or removal. There are no family relationships among any of our executive officers or directors.

Each of the director nominees named in this proxy statement has agreed to serve as a director if elected, and we have no reason to believe that any nominee will be unable to serve. In the event that before the annual meeting one or more nominees named in this proxy statement should become unable to serve or for good cause will not serve, the persons named in the enclosed proxy will vote the shares represented by any proxy received by our Board of Directors for such other person or persons as may thereafter be nominated for director by the Nominating and Corporate Governance Committee and our Board of Directors.

If a quorum is present at the annual meeting, a plurality of the votes properly cast will be required to elect a nominee to the office of director.

DIRECTORS

The following table sets forth the director nominees, their ages, and the positions currently held by each person with our company. In addition, for each person we have included information regarding the business or other experience, qualifications, attributes or skills considered in determining that each person should serve as a director.

Name	Age	Position
Barry N. Bycoff	64	Director
John R. Egan ⁽³⁾	55	Non-Executive Chairman of the Board
Ram Gupta ⁽¹⁾⁽²⁾	51	Director
Charles F. Kane ⁽¹⁾⁽³⁾	55	Director
David A. Krall ⁽²⁾⁽³⁾	52	Director
Michael L. Mark ⁽¹⁾⁽²⁾	67	Director
Philip M. Pead	60	President and Chief Executive Officer and Director

(1)Member of Audit Committee

(2)Member of Nominating and Corporate Governance Committee

(3)Member of Compensation Committee

Mr. Bycoff has been a director since May 2007. Mr. Bycoff was our Executive Chairman from March 2009 until April 2011. From May 2005 to July 2007, Mr. Bycoff was a venture partner of Pequot Ventures, the venture capital arm of Pequot Capital Management, Inc. Mr. Bycoff was previously Executive Chairman of Day Software Holding AG.

As the founder and former Chief Executive Officer of Netegrity, a public technology company, Mr. Bycoff demonstrated leadership, management and strategic experience, as well as significant financial, operational and corporate governance experience. Mr. Bycoff also has significant management experience from working in a variety of software companies. Mr. Bycoff also has valuable experience as a current and former board member of a number of public and private technology-related companies. Mr. Bycoff also brings to the Board of Directors his investing experience from his tenure at Pequot Ventures.

Mr. Egan became our Non-Executive Chairman of the Board in December 2012. Mr. Egan has been a director since September 2011. Mr. Egan is managing partner of Egan-Managed Capital, a Boston based venture capital fund he founded in October 1998 that specializes in technology and early stage investments. From October 1986 until September 1998, Mr. Egan served in a number of executive positions with EMC Corporation, including Executive

Vice President, Products and Offerings, Executive Vice President, Sales and Marketing, Executive Vice President, Operations and Executive Vice President, International Sales. Mr. Egan also serves on the Board of Directors for other publicly-traded and privately-held companies. They include: EMC Corporation (NYSE: EMC), where he has served on the Board of Directors for almost twenty years; VMWare, Inc. (NYSE: VMW); Verint Systems, Inc. (NASDAQ:VRNT) and NetScout Systems, Inc. (OTC: NTCT), where he serves as Lead Director.

Mr. Egan brings to our Board of Directors extensive understanding and expertise in the information technology industry as a result of his service on other boards of directors combined with his executive leadership roles at EMC Corp. His broad experience ranges from venture capital investments in early-stage technology companies to extensive sales and marketing experience, to executive leadership and management roles. Mr. Egan brings to the Board business acumen, substantial operational experience, and expertise in corporate strategy development. Mr. Egan also has extensive experience serving as a director of publicly-traded companies.

Mr. Gupta has been a director since May 2008. From May 2007 until May 2010, Mr. Gupta was Executive Chairman of CAST Iron Systems, Inc., a leading Software as a Service (SaaS) and cloud application integration provider. Prior to that time, from November 2005 until May 2007, Mr. Gupta was President and Chief Executive Officer of CAST Iron Systems, Inc. Mr. Gupta was previously a director of S1 Corp. and Source Forge, Inc. Mr. Gupta also has served in a variety of leadership roles within the Board of Directors of several privately-held technology companies including Platform Computing Corporation, Persistent Systems, Accruent Inc. and Yodlee Inc.

Mr. Gupta has extensive strategic marketing and management expertise at global technology companies, including responsibility for strategy, marketing, development, customer support, alliances and mergers and acquisitions. As a former executive and current board member of several technology-related public companies, Mr. Gupta offers industry specific, public company board experience to our Board of Directors. His extensive experience in the software industry, particularly in the area of strategy and marketing, is a significant asset to the Board of Directors.

Mr. Kane has been a director since November 2006. Mr. Kane is an adjunct professor of International Finance at the MIT Sloan Graduate Business School of Management. Mr. Kane is currently a Director and Strategic Advisor of One Laptop Per Child, a non-profit organization that provides computing and internet access for students in the developing world, for whom he served as President and Chief Operating Officer from 2008 until 2009. Mr. Kane served as Executive Vice President and Chief Administrative Officer of Global BPO Services Corp., a special purpose acquisition corporation, from July 2007 until March 2008, and as Chief Financial Officer of Global BPO from August 2007 until March 2008. Prior to joining Global BPO, he served as Chief Financial Officer of RSA Security Inc., a provider of e-security solutions, from May 2006 until RSA was acquired by EMC Corporation in October 2006. From July 2003 until May 2006, he served as Chief Financial Officer of Aspen Technology, Inc., a provider of supply chain management software and professional services. Mr. Kane is currently a director of Demandware, Inc. (NYSE: DWRE), a leading provider of software-as-a-service (SaaS) ecommerce solutions that enable companies to deliver customized shopping experiences to consumers in the digital world, and Carbonite, Inc. (NASDAQ: CARB), a leading provider of online backup solutions for consumers and small and medium sized businesses. Mr. Kane was previously a director of Netezza Corporation, Borland Software Corporation and Applix Inc.

As our Audit Committee financial expert and Chairman of the Audit Committee, Mr. Kane provides a high level of expertise and leadership experience in the areas of finance, accounting, audit oversight and risk analysis derived from his experience as the chief financial officer of publicly-traded technology companies. Mr. Kane also offers substantial public company board experience to our Board of Directors.

Mr. Krall has been a director since February 2008. Mr. Krall is currently Chairman of the Board of Directors of Audinate Pty Ltd, a leader in IP audio-visual media network solutions. Mr. Krall also serves on the Board of Directors of Quantum Corp. (NYSE: QTM) and Universal Audio, a privately-held leading manufacturer of professional audio recording hardware and production software. Mr. Krall also currently serves as a Strategic Advisor to Roku, Inc., a leading manufacturer of streaming media players, a position he assumed in January 2011. Mr. Krall joined Roku, Inc. in February 2010 as President and Chief Operating Officer. Prior to that time, Mr. Krall was President and Chief Executive Officer and a member of the Board of Directors of QSecure, Inc., a maker of electronic credit cards. From 2000 to 2007, Mr. Krall was President, Chief Executive Officer and a member of the Board of Directors of Avid Technology, Inc.

Mr. Krall has significant leadership, management and operational experience through his service in a broad range of executive positions within the software and technology industries. From working in companies ranging from small startups to public companies with thousands of employees serving worldwide marketplaces, Mr. Krall brings experience in the areas of new product development, integration of complex software and hardware solutions, strategy formation, and general management.

Mr. Mark has been a director since July 1987. He was our Non-Executive Chairman of the Board from April 2011 until May 2012 and also from December 2006 until March 2009. From March 2009 until April 2011, Mr. Mark served as Lead Independent Director. Mr. Mark is a private investor and member of Walnut Venture Associates, an investment group seeking opportunities in early-stage and emerging high-tech companies in New England. Mr. Mark was a founder of several high-tech companies, including Intercomp, American Energy Services, and Cadmus Computer Systems, is an investor in numerous early-stage companies, and serves on several private boards of directors.

Mr. Mark has served on our Board of Directors for almost twenty-five years, spanning the entire time that we have been a public company. As a result, Mr. Mark provides our Board of Directors with critical historical knowledge and insights on our

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business and the software industry generally. Mr. Mark also has extensive experience as a director of public and private companies.

Mr. Pead became our President and Chief Executive Officer on December 7, 2012. Prior to that time, Mr. Pead was our Interim Chief Executive Officer, a position he assumed on November 2, 2012. Mr. Pead served as Executive Chairman of the Board from October 8, 2012 until December 7, 2012. Mr. Pead was our Non-Executive Chairman of the Board from May, 2012 until October 2012. Mr. Pead has been a director since July 2011. Mr. Pead was formerly the Chairman of the Board of Directors of Allscripts Health Solutions (NASDAQ: MDRX), a leading health care information technology company. Mr. Pead was also the President and Chief Executive Officer of Eclipsys Corporation, a leading provider of enterprise clinical and financial software for hospitals, which was merged with Allscripts in August 2010. From March 2007 to May 2009, Mr. Pead served as the Managing Partner of Beacon Point Partners LLC, a healthcare consulting firm. Mr. Pead served as President and Chief Executive Officer of Per-Se Technologies Inc., a provider of healthcare information technology services, from November 2000 until its acquisition by McKesson Corporation in January 2007.

As our Chief Executive Officer, Mr. Pead provides key insight and advice with respect to corporate strategy and management development and a deeper understanding of our products, technology and market opportunities. Furthermore, Mr. Pead provides our company with industry insight and knowledge as a result of his over twenty-five years experience in the software industry, working in executive roles in several publicly- and privately-held companies, including Per-Se Technologies, Dun & Bradstreet Corporation and Attachmate Corporation. In addition to Progress Software Corporation, Mr. Pead serves on the board of directors of Emdeon Inc., which was a publicly-traded company until it was acquired by The Blackstone Group L.P. and Hellman & Friedman LLC.

Our Board of Directors recommends that you vote FOR the election of the following seven individuals as directors: Barry N. Bycoff, John R. Egan, Ram Gupta, Charles F. Kane, David A. Krall, Michael L. Mark and Philip M. Pead.

THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

Board of Directors

Our Board of Directors met nineteen times during the fiscal year ended November 30, 2012. Each of our directors attended at least 75% of the aggregate of the total number of meetings of our Board of Directors and the total number of meetings of all committees of our Board of Directors on which he served during fiscal 2012. Our Board of Directors has standing Audit, Compensation, and Nominating and Corporate Governance Committees.

Audit Committee

The Audit Committee of our Board of Directors currently consists of Messrs. Gupta, Kane and Mark, with Mr. Kane serving as Chairman. During fiscal 2012, the Audit Committee consisted of Messrs. Egan, Kane and Mark. Mr. Egan stepped down as a member of the Audit Committee in December 2012 following his appointment as Non-Executive Chairman of the Board of Directors. The Audit Committee met nine times during fiscal 2012.

Our Board of Directors has determined that each member of the Audit Committee meets the independence requirements promulgated by NASDAQ and the SEC, including Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In addition, our Board of Directors has determined that each member of the Audit Committee is financially literate and that Mr. Kane qualifies as an "audit committee financial expert" under the rules of the SEC.

The Audit Committee operates under a written charter adopted by our Board of Directors, a copy of which can be found on our website at www.progress.com under the heading "Corporate Governance" located on the "About Progress/Who We Are" page.

The Audit Committee assists our Board of Directors in fulfilling its oversight responsibilities for accounting and financial reporting compliance. The Audit 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 registered public accounting firm's examinations, our critical accounting policies and the overall quality of our financial reporting, and the Audit Committee reports on these matters to our Board of Directors. The Audit Committee meets with the independent registered public accounting firm with and without our management present.

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For fiscal 2012, among other functions, the Audit Committee:

- appointed the independent registered public accounting firm;
- reviewed with our independent registered public accounting firm the scope of the audit for the year and the results of the audit when completed;
- reviewed the independent registered public accounting firm's fees for services performed;
- reviewed with management and the independent registered public accounting firm the annual audited financial statements and the quarterly financial statements, prior to the filing of reports containing those financial statements with the SEC;
- reviewed with management our major financial risks and the steps management has taken to monitor and control those risks; and
- reviewed with management various matters related to our internal controls.

Compensation Committee

The Compensation Committee of our Board of Directors during fiscal 2012 consisted of Messrs. Egan, Krall, Pead (until October 2012) and Kane (from October 2012), with Mr. Krall serving as Chairman. In connection with his appointment as Executive Chairman, Mr. Pead resigned from the Compensation Committee in October 2012 and was replaced by Mr. Kane. The Compensation Committee met ten times during fiscal 2012. Our Board of Directors has determined that each member of the Compensation Committee meets the independence requirements promulgated by NASDAQ.

Please see the sections entitled "Compensation Discussion and Analysis" and "Compensation Committee Report" for a description of the responsibilities and functions of the Compensation Committee.

The Compensation Committee operates under a written charter adopted by our Board of Directors, a copy of which can be found on our website at www.progress.com under the heading "Corporate Governance" located on the "About Progress/Who We Are" page.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of our Board of Directors during fiscal 2012 consisted of Messrs. Gupta, Krall (from October 2012), Mark and Pead (until October 2012), with Mr. Gupta serving as Chairman. In connection with his appointment as Executive Chairman, Mr. Pead resigned from the Nominating and Corporate Governance Committee in October 2012 and was replaced by Mr. Krall. The Nominating and Corporate Governance Committee met three times during fiscal 2012. The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee meets the independence requirements promulgated by NASDAQ. The Nominating and Corporate Governance Committee operates under a written charter adopted by our Board of Directors, a copy of which can be found on our website at www.progress.com under the heading "Corporate Governance" located on the "About Progress/Who We Are" page.

In accordance with its charter, the Nominating and Corporate Governance Committee:

- is responsible for identifying qualified candidates for election to our Board of Directors and recommending nominees for election as directors at the annual meeting;
- assists in determining the composition of our Board of Directors and its committees;
- assists in developing and monitoring a process to assess the effectiveness of our Board of Directors;
- assists in developing and reviewing succession plans for our senior management, including the Chief Executive Officer; and
- assists in developing and implementing our Corporate Governance Guidelines.

Director Nomination Process

Our Board of Directors has delegated the search for, and recommendation of, director nominees to the Nominating and Corporate Governance Committee. When considering a potential candidate for membership on our Board of Directors, the Nominating and Corporate Governance Committee will consider any criteria it deems appropriate, including, among other things, the experience and qualifications of any particular candidate as well as such candidate's past or anticipated contributions to our Board of Directors and its committees. At a minimum, each nominee is expected to have the highest personal and professional integrity and demonstrated exceptional ability and judgment,

and to be effective, with the other directors, in collectively serving the long-term interests of our shareholders. In addition, the Nominating and Corporate Governance Committee has established the following minimum requirements:

- at least five years of business experience;
- no identified conflicts of interest as a prospective director of our company;

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no convictions in a criminal proceeding (aside from traffic violations) during the five years prior to the date of selection; and

• willingness to comply with our Code of Conduct and Finance Code of Professional Ethics.

The Board of Directors retains the right to modify these minimum qualifications from time to time, and exceptional candidates who do not meet all of these criteria may still be considered.

In addition to any other standards the Nominating and Corporate Governance Committee may deem appropriate from time to time for the overall structure and composition of our Board of Directors, the Nominating and Corporate Governance Committee may consider the following factors when recommending that our Board of Directors select persons for nomination:

• Whether the nominee has direct experience in the software industry or in the markets in which we operate.

• Whether the nominee, if elected, assists in achieving a mix of members on our Board of Directors that represents a diversity of background, experience, skills, ages, race and gender.

The Nominating and Corporate Governance Committee may also consider other criteria that it deems appropriate from time to time for the overall composition and structure of our Board of Directors. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no criterion is necessarily applicable to all prospective nominees. Neither the Nominating and Corporate Governance Committee nor our Board of Directors has a specific policy with regard to the consideration of diversity in identifying director nominees, although, as described above, both may consider diversity when identifying and evaluating proposed director candidates.

In the case of incumbent directors, the Nominating and Corporate Governance Committee reviews each incumbent director's overall past service to us, including the number of meetings attended, level of participation, quality of performance, and whether the director continues to meet applicable independence standards. In the case of a new director candidate, the Nominating and Corporate Governance Committee determines whether the candidate meets the applicable independence standards, and the level of the candidate's financial expertise. The candidate will also be interviewed by the Nominating and Corporate Governance Committee.

Generally, the Nominating and Corporate Governance Committee identifies candidates for director nominees in consultation with the other directors and management, through the use of search firms or other advisors, through recommendations submitted by shareholders or through other methods that the Nominating and Corporate Governance Committee deems to be helpful to identify candidates. Once a candidate has been identified, the Nominating and Corporate Governance Committee confirms that the candidate meets all of the minimum qualifications for a director nominee established by the Committee. The Nominating and Corporate Governance Committee then meets to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of our Board of Directors. The same procedures apply to all candidates for director nomination, including candidates submitted by shareholders.

Based on the results of the evaluation process, the Nominating and Corporate Governance Committee recommends candidates for our Board of Directors' approval as director nominees for election to our Board of Directors. The Nominating and Corporate Governance Committee also recommends candidates to our Board of Directors for appointment to its committees.

The Nominating and Corporate Governance Committee will consider director nominee candidates who are recommended by shareholders of our company. Recommendations sent by shareholders must provide the following information:

• the name and address of record of the shareholder;

• a representation that the shareholder is a record holder of our common stock, or if the shareholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) of the Exchange Act;

• the name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the proposed director candidate;

• a description of the qualifications and background of the proposed director candidate which addresses the minimum qualifications described above;

• a description of all arrangements or understandings between the shareholder and the proposed director candidate; and

any other information regarding the proposed director candidate that is required to be included in a proxy statement filed under SEC rules.

The submission must be accompanied by a written consent of the individual to be named in our proxy statement as standing for election if nominated by our Board of Directors and to serve if elected by the shareholders. Shareholder recommendations of candidates for election as directors at an annual meeting of shareholders must be given at least 120 days prior to the date on which our proxy statement was released to shareholders in connection with our previous year's annual meeting.

Shareholders may recommend director candidates for consideration by the Nominating and Corporate Governance Committee by sending a written communication to the Committee at our offices located at 14 Oak Park, Bedford, Massachusetts 01730, c/o Corporate Secretary.

CORPORATE GOVERNANCE

Independence of Members of our Board of Directors

Our Board of Directors has determined that all of our current directors except Mr. Bycoff (who was our Executive Chairman until April 2011) and Mr. Pead (our current President and Chief Executive Officer) are independent within the meaning of the director independence standards of NASDAQ and the applicable rules of the SEC. In making this determination, our Board solicited information from each of the directors regarding whether that director, or any member of his immediate family, had a direct or indirect material interest in any transactions involving our company, was involved in a debt relationship with our company or received personal benefits outside the scope of the director's normal compensation. Our Board of Directors considered the responses of the directors, and independently considered the commercial agreements, acquisitions and other material transactions entered into by us during fiscal 2012, and determined that none of our non-employee directors had a material interest in those transactions.

Board Leadership Structure

Our Corporate Governance Guidelines do not require the separation of the roles of Chairman of the Board and Chief Executive Officer, as our Board believes that effective board leadership structure can be highly dependent on the experience, skills and personal interaction between persons in leadership roles. In recent years, we have had, alternately, an independent Chairman and a non-independent Executive Chairman with a Lead Independent Director. Currently, the Chairman is an independent non-executive role. Our policy is to have a Lead Independent Director if the Chairman is not independent.

Our Board leadership structure is currently comprised of a non-executive Chairman (Mr. Egan). We believe the current Board leadership structure serves us and our shareholders well by having a strong non-executive Chairman to provide independent leadership of the Board. This leadership structure, coupled with a strong emphasis on Board independence, provides effective independent oversight of management. Board members have complete access to and are encouraged to utilize members of our senior management regularly, and they have the authority to retain independent advisors as they deem necessary. The Board believes this leadership structure affords our company an effective combination of internal and external experience, continuity and independence.

Executive Sessions of Independent Directors

Our independent directors meet in executive session without the Chief Executive Officer at every regularly scheduled Board meeting to discuss, among other matters, the performance of the Chief Executive Officer. Executive sessions do not include the employee directors of our company, and the Chairman is responsible for chairing the executive sessions.

Board of Directors' Role in Risk Oversight

Our Board of Directors believes that its oversight responsibility with respect to the various risks confronting our company is one of its most important areas of responsibility and provides further checks and balances on our leadership structure. Our Board of Directors views its oversight of risk as an ongoing process that occurs throughout the year in the course of evaluating the strategic direction and actions of our company. A fundamental aspect of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also determining what level of risk is appropriate for the company. We believe that having an independent Chairman enhances our board's ability to oversee our risks.

In carrying out this critical function, our Board is involved in risk oversight through direct decision-making authority with respect to significant matters and the oversight of management directly by our Board and through its committees. Each committee's specific area of responsibility is as follows:

The Audit Committee is primarily responsible for overseeing risk management as it relates to our financial condition, financial statements, financial reporting process, internal controls and accounting matters. The Audit Committee also assists our Board of Directors in fulfilling its oversight responsibilities with respect to conflict of interest issues that may arise.

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The Compensation Committee is responsible for overseeing our overall compensation practices, policies and programs and assessing the risks arising from those policies and programs.

The Nominating and Corporate Governance Committee considers risks related to corporate governance, including evaluating and considering evolving corporate governance best practices and director and management succession planning.

Our Board of Directors receives reports from members of senior management on the functional areas for which they are responsible. These reports may include operational, financial, sales, competitive, legal and regulatory, strategic and other risks, as well as any related management and mitigation.

Relationships Among Directors, Executive Officers and Director Nominees

There are no family relationships between any director, executive officer or director nominee.

Policy Governing Shareholder Communications with our Board of Directors

Our Board of Directors welcomes communications from shareholders. Any shareholder may communicate either with our Board of Directors as a whole, or with any individual director, by sending a written communication addressed to the Board of Directors or to such director at our offices located at 14 Oak Park, Bedford, Massachusetts 01730, or by submitting an email communication to board@progress.com. All communications sent to our Board of Directors will be forwarded to the Board of Directors, as a whole, or to the individual director to whom such communication was addressed.

Policy Governing Director Attendance at Annual Meetings of Shareholders

We do not require members of our Board of Directors to attend the annual meeting of shareholders.

Corporate Governance Guidelines

Our Board of Directors has adopted Corporate Governance Guidelines which can be found on our website at www.progress.com under the heading "Corporate Governance" located on the "About Progress/Who We Are" page.

Codes of Conduct

Our Board of Directors has adopted a Finance Code of Professional Ethics that applies to the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and other employees of our finance organization and a Code of Conduct that applies to all of our officers, directors and employees. Copies of the Code of Conduct and the Finance Code of Professional Ethics can be found on our website at www.progress.com under the heading "Corporate Governance" located on the "About Progress/Who We Are" page.

Stock Option Grant Policy

Our Board of Directors has adopted a Stock Option Grant Policy providing for grants of stock options to be made on fixed grant dates during the year. A copy of the Stock Option Grant Policy can be found on our website at www.progress.com under the heading "Corporate Governance" located on the "About Progress/Who We Are" page.

DIRECTOR COMPENSATION

We pay our directors a mix of cash and equity compensation. Employee directors receive no compensation for their service as directors.

For fiscal 2012, our non-employee directors were paid an annual retainer of \$275,000. This annual retainer was paid \$75,000 in cash and \$200,000 in equity (with the equity paid in the form of fully vested shares of common stock or fully vested stock options, at the election of the individual director). The non-executive Chairman of the Board was paid an additional cash retainer of \$37,500. The number of option shares was determined by dividing the compensation amount by the grant date Black-Scholes value. The number of shares of common stock was determined by dividing the compensation amount by the grant date closing price of our common stock as reported by NASDAQ.

With respect to service on the committees of our Board of Directors, the following fees were paid:

• Audit Committee - \$25,000 for the Chairman and \$20,000 for the other members;

• Compensation Committee - \$20,000 for the Chairman and \$15,000 for the other members;

• Nominating and Corporate Governance Committee - \$12,500 for the Chairman and \$10,000 for the other members; and

• Special committees (while in use) - \$25,000 for the Chairman and \$20,000 for the other members.

The fees paid for service on the committees of our Board of Directors were paid in cash.

The fiscal 2012 director compensation was paid to our non-employee directors in one installment on May 28, 2012.

In April 2010, our Board of Directors adopted revised stock retention guidelines for non-employee directors. These guidelines provide for all non-employee directors to hold at least 7,500 shares of our common stock and/or deferred stock units. Directors have five years to attain this ownership threshold.

Each newly elected director receives an initial director appointment grant of \$300,000 of option equivalent shares at the first April or October grant date following his or her election to our Board of Directors. This initial grant may be received in the form of options, deferred stock units or a combination of the two. The split between options and deferred stock units is determined by each director individually by written election made prior to the newly elected director's appointment to our Board of Directors. The election will be expressed as a percentage of the initial director appointment grant (e.g., 50% in options and 50% in deferred stock units) and may consist of all options, all deferred stock units or any combination thereof. Options and deferred stock units vest over a 48-month period, beginning on the first day of the month following the month the director joins our Board of Directors, with full acceleration of vesting upon a change in control.

Director Compensation Table – Fiscal 2012

The following table sets forth a summary of the compensation earned by or paid to our non-employee directors in fiscal 2012.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (1)(2) (\$)	Option Awards (3)(4) (\$)	Total (\$)
Barry N. Bycoff	\$ 75,000	\$ 199,998	\$ —	\$ 274,998
John R. Egan	110,000	100,009	99,971	309,980
Ram Gupta	87,500	199,998	—	287,498
Charles F. Kane	100,000	199,998	—	299,998
David A. Krall	95,000	199,998	—	294,998
Michael L. Mark	142,500	—	199,947	342,447
Philip M. Pead (5)	100,000	199,998	—	299,998

(1) Represents RSUs issued to the named directors electing to receive RSUs in the following amounts:

Name	Total RSUs Granted in FY2012
Mr. Bycoff	10,035
Mr. Egan	5,018
Mr. Gupta	10,035
Mr. Kane	10,035
Mr. Krall	10,035
Mr. Mark	—
Mr. Pead	10,035

The RSUs to the named directors in the table above vested on December 1, 2012.

Represents the grant date fair value of RSUs granted on May 28, 2012. The grant date fair value is equal to the number of restricted stock units granted multiplied by the closing price on the date of grant. Because the NASDAQ (2) Global Select Market was closed for trading on May 28, 2012, we utilized the closing price on May 29, 2012 of \$19.93 for purposes of determining the grant date fair value of the RSUs issued on that date.

Mr. Mark elected to receive the equity compensation portion of his annual retainer in the form of stock options. As a result, Mr. Mark was granted an option to purchase 36,969 shares of our common stock with an exercise price of (3) \$19.93 on May 28, 2012, which became fully exercisable on December 1, 2012. The aggregate grant date fair value of these options was approximately \$200,000.

Mr. Egan elected to receive 50% of the equity compensation portion of his annual retainer in the form of stock options. As a result, Mr. Egan was granted an option to purchase 18,484 shares of our common stock with an exercise

price of \$19.93 on May 28, 2012, which became fully exercisable on December 1, 2012. The aggregate grant date fair value of these options was approximately \$100,000. Mr. Egan also elected to receive 50% of the equity compensation portion of his annual retainer in the form of RSUs. As a result, Mr. Egan was granted 5,018 RSUs, which vested on December 1, 2012. The grant date fair value of these RSUs was approximately \$100,000.

Each non-employee director had the following unexercised stock options outstanding at April 10, 2013:

Name	Unexercised Stock Options Outstanding at April 10, 2013
Mr. Bycoff	72,378
Mr. Egan	50,130
Mr. Gupta	8,125
Mr. Kane	56,705
Mr. Krall	51,503
Mr. Mark	235,738

(4) Represents grant date fair value of options granted on May 28, 2012. The grant date fair value of our options is equal to the number of shares subject to the option by the fair value of our options on the date of grant determined by using the Black-Scholes option valuation model. The Black-Scholes value of our options on May 28, 2012 was \$5.41. The methodology and assumptions used to calculate the Black-Scholes value of our options are described in Note 12 of the consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012.

(5) In October 2012, Mr. Pead became Executive Chairman and in November 2012, Mr. Pead added the title of Interim Chief Executive Officer. Prior to the date he became Interim Chief Executive Officer, Mr. Pead received a base salary in the amount of \$10,000 per month in cash. From and after the date he became Interim Chief Executive Officer, Mr. Pead's base salary was increased to \$25,000 per month. In addition, Mr. Pead was issued 1,480 RSUs in January, 2013, having a value equal to \$35,000. None of the compensation paid to Mr. Pead in connection with his service as Executive Chairman or Interim Chief Executive Officer is reflected in the Director Compensation Table above.

PROPOSAL 2: AMENDMENT AND RESTATEMENT OF THE PROGRESS SOFTWARE CORPORATION
2008 STOCK OPTION AND INCENTIVE PLAN, AS AMENDED

The 2008 Stock Option and Incentive Plan, was adopted by our shareholders at the annual meeting of shareholders held on April 23, 2008 and amended by our shareholders at the annual meeting of shareholders held on April 27, 2010 (the “2008 Plan”). Upon adoption, the 2008 Plan replaced our 1997 Stock Incentive Plan, our 1992 Incentive and Nonqualified Stock Option Plan and our 1994 Stock Incentive Plan (which we refer to together in this proxy statement as, the “Old Stock Plans”). We have not granted any further awards under the Old Stock Plans since the 2008 Plan became effective and we will not grant any further awards under the Old Stock Plans in the future.

On May 6, 2013, our board of directors unanimously approved the amendment and restatement of the 2008 Plan to make the following material changes, subject to shareholder approval being received at the 2013 Annual Meeting: increase the number of shares of our common stock authorized for issuance under the 2008 Plan by 7,500,000 shares; provide that any shares of our common stock tendered or held back upon settlement of a full value award (an award other than a stock option or stock appreciation right) granted under the 2008 Plan to cover the purchase price or satisfy tax withholding obligations in connection with the award will be available for future issuance under the 2008 Plan; and

specifically prohibit the cancellation of any outstanding stock option or stock appreciation right that has an exercise price greater than the then current fair market value of our common stock in exchange for cash or other awards under the 2008 Plan without prior shareholder approval.

Approval of the amended and restated 2008 Plan by our shareholders will also constitute approval of terms and conditions set forth in the plan that will permit us to grant performance-based stock and cash awards under the 2008 Plan that may qualify as “performance-based compensation” within the meaning of Section 162(m) of the Internal Revenue Code (“Section 162(m)”). Section 162(m) denies a deduction to any publicly held corporation for certain compensation paid to “covered employees” in a taxable year to the extent that compensation to a covered employee exceeds \$1 million. However, some kinds of compensation, including qualified “performance-based compensation,” are not subject to this deduction limitation. For compensation awarded under a plan to qualify as “performance-based compensation” under Section 162(m), among other things, the following terms must be approved by the shareholders before the compensation is paid: (i) a description of the employees eligible to receive such awards; (ii) a per-person limit on the number of shares subject to performance-based stock awards, and the amount of cash subject to performance-based cash awards, that may be payable to any employee under the plan in any year; and (iii) a description of the business criteria upon which the performance goals for performance-based awards may be payable. Accordingly, our shareholders are requested to approve the amended and restated 2008 Plan, which includes terms regarding eligibility for awards, annual per-person limits on awards and the business criteria for performance-based awards granted under the 2008 Plan (as described in the summary below).

We believe it is in our and our shareholders' best interests to preserve the ability to grant “performance-based compensation” under Section 162(m). However, in certain circumstances, we may determine to grant compensation to covered employees that will not qualify as “performance-based compensation” for purposes of Section 162(m). Moreover, even if we intend to grant compensation that qualifies as “performance-based compensation” for purposes of Section 162(m), we cannot guarantee that such compensation ultimately will be deductible by us.

Why You Should Vote for the Amendment and Restatement of the 2008 Plan

Equity Awards Are an Important Part of Our Compensation Philosophy. Our board of directors believes that equity awards, including restricted stock units, performance share units and stock options, can play an important role in our success because they encourage and enable our officers, directors and employees, upon whose judgment, initiative and efforts we largely depend for the successful conduct of our business, to acquire a proprietary interest in our company. Our board of directors believes that the availability of an adequate reserve of shares for issuance under the 2008 Plan is essential to enable us to maintain our competitive position with respect to recruiting and retaining highly skilled personnel.

We Manage Our Stock Plan Usage Carefully. As of April 10, 2013, the maximum number of shares of common stock that could be issued under the 2008 Plan was 14,700,000 shares. As of April 10, 2013, taking into account all stock options, restricted stock units, deferred stock units and unrestricted shares issued or reserved for issuance under the 2008 Plan, and adding back all cancellations under the 2008 Plan and the Old Stock Plans, there remained 2,113,548 shares available for issuance under the 2008 Plan.

In addition to the 2008 Plan, we have adopted two stock plans for which the approval of shareholders was not required: the 2002 Nonqualified Stock Plan and the 2004 Inducement Stock Plan. These plans require that options have a minimum exercise

price of 100% of the fair market value of the shares on the date of grant, a maximum term of seven years and provide that all forms of non-option equity issued under the plan are the equivalent of 2.25 options. These plans have the same share counting provisions that exist in the 2008 Plan. These plans do not permit shares tendered or held back upon exercise of an option or settlement of an award to cover the exercise price or tax withholding to be added back to the authorized shares that may be issued under the plans.

A total of 9,750,000 shares are issuable under the 2002 Nonqualified Stock Plan, of which 660,182 shares were available for grant at April 10, 2013. We may not utilize the 2002 Nonqualified Stock Plan to grant equity awards to officers or directors and the 2002 Nonqualified Stock Plan does not permit the award of restricted stock units or incentive stock options.

The 2004 Inducement Stock Plan is reserved for persons to whom we may issue securities as an inducement to become employed by us pursuant to the rules and regulations of the NASDAQ Stock Market. A total of 1,500,000 shares are issuable under the 2004 Inducement Stock Plan, of which 581,034 shares were available for grant at April 10, 2013.

The following table provides certain additional information regarding our equity incentive program:

	As of April 10, 2013
Total Shares Subject to Outstanding Stock Options	3,395,031
Total Shares Subject to Outstanding Full Value Awards	1,980,450
Weighted-Average Exercise Price of Outstanding Stock Options	\$20.15
Weighted-Average Remaining Term of Outstanding Stock Options	2.9 years
Total Shares Available for Grant under the 2008 Plan, the 2002 Nonqualified Stock Plan and the 2004 Inducement Stock Plan (excluding the 7,500,000 for which we are seeking approval in this Proposal 2)	3,354,764
Total Common Stock Outstanding	55,136,725
Closing Price of Common Stock as Reported on NASDAQ Global Select Market	\$22.21

Although we manage our usage of the 2008 Plan carefully, in one instance we inadvertently exceeded the limit in the 2008 Plan designed to allow us to grant stock options that may qualify as “performance-based compensation” under Section 162(m) so that such compensation is not subject to the \$1 million tax deduction limitation on compensation paid per “covered employee” under Section 162(m). In December 2011, we granted a stock option to purchase 900,000 shares of our common stock to Jay H. Bhatt as a new hire equity award in connection with the commencement of his employment as our new Chief Executive Officer. This equity award exceeded the limit under the 2008 Plan which provides that stock options or stock appreciation rights with respect to no more than 750,000 shares of common stock may be granted to any one individual grantee during any one calendar year period under the 2008 Plan. In October 2012, Mr. Bhatt unexpectedly announced that he was voluntarily terminating his employment with our company and he resigned as Chief Executive Officer in November 2012. As of the date of his employment termination, 206,250 stock options had vested, which were exercised by Mr. Bhatt in January 2013. None of the option shares in excess of the limit ever vested or were exercised because the remaining 693,750 unvested stock options were cancelled upon termination of Mr. Bhatt's employment. Additionally, Mr. Bhatt is not a “covered employee” under Section 162(m) for fiscal 2012 or 2013 because his employment terminated before the end of fiscal 2012 and, accordingly, the compensation related to the stock option granted to Mr. Bhatt is not subject to the \$1 million tax deduction limitation on compensation under Section 162(m) that is described above.

The Size of Our Share Reserve Request Is Reasonable. If our request to approve the amendment and restatement of the 2008 Plan is approved, we will have approximately 10.9 million shares available for grant after our annual meeting, of which, approximately 9.6 million shares will be available for grant under the 2008 Plan. Because substantially all of our equity awards come from the 2008 Plan and there are limitations as to the types of awards and eligible recipients of awards we can make under our other stock plans, we anticipate that the approximately 9.6 million shares available for issuance under the 2008 Plan will be sufficient to provide an approximately three-year pool of shares after the end of fiscal 2013 and are necessary to provide a predictable amount of equity for attracting, retaining, and motivating employees. Accordingly, we anticipate that we will return to our shareholders with a request to amend the 2008 Plan to further increase the number of shares available for issuance in 2016.

In fiscal 2013, we anticipate granting awards covering an aggregate of approximately 3.1 million shares. Our year to date stock plan usage is shown in the table below. The fiscal 2013 awards include new-hire equity awards to our current Chief Executive Officer and Chief Financial Officer that were larger than typical annual grants as incentives to accept offers of employment and as incentives for future performance. Consistent with the annual equity awards to other officers, 40% of these new-hire equity awards were comprised of performance share units. In addition to the grants made to date, we expect to grant approximately 200,000 full value shares to various new hires during the remainder of fiscal 2013. We anticipate that our executive management transition has been substantially completed and, as a result, we expect aggregate equity awards to decrease in fiscal years subsequent to 2013.

The numbers in the following table reflect the multiplier of 2.25 applied to RSUs and PSUs granted under our 2008 Plan as described below after “Shares Available for Awards”.

2008 Plan	Fiscal 2013 through April 10, 2013
Option Grants	
New Hire	--
Annual Grants	--
Board of Directors	41,051
Subtotal Option Grants	41,051
RSU Grants	
New Hire	987,187
Annual Grants	873,261
Board of Directors	99,608
Subtotal RSU Grants	1,960,056
PSU Grants	
New Hire	607,500
Annual Grants	312,300
Board of Directors	--
Subtotal PSU Grants	919,800
Total	2,920,907

Dilution Is Reasonable. The following table sets forth the number of shares authorized for future issuance along with the equity dilution represented by the shares available for future awards as a percentage of the 55,136,725 shares of our common stock outstanding on April 10, 2013:

	Total Shares Available	Equity Dilution: Percent of Basic Common Shares Outstanding	
Shares available for future awards under the 2008 Plan	2,113,548	3.83	%
Shares available for future awards under the 2002 Nonqualified Stock Plan	660,182	1.20	%
Shares available for future awards under the 2004 Inducement Plan	581,034	1.05	%
Requested additional shares for future awards under the 2008 Plan	7,500,000	13.60	%
Total shares available for future awards after approval of the amendment and restatement of the 2008 Plan	10,854,764	19.68	%

The following table provides information regarding our overhang, or the percentage of outstanding shares represented by all outstanding equity awards and shares available for future awards under all plans as of April 10, 2013:

Basic diluted overhang (1)	29.44%
Fully diluted overhang (2)	22.74%

Basic diluted overhang is calculated as (i) all shares issuable upon exercise of outstanding stock options and (1) vesting of outstanding full value shares plus shares available for future awards, divided by (ii) basic common shares outstanding.

Fully-diluted overhang is calculated as (i) all shares issuable upon exercise of outstanding stock options and (2) vesting of outstanding full value shares plus shares available for future awards, divided by (ii) basic common shares outstanding plus the shares in the numerator.

Because approval of the amended and restated 2008 Plan will result in an increase in total dilution and this dilution may exceed the standard approval guidelines used by some shareholders, we ask that our shareholders consider the

following:

During fiscal 2012, the Compensation Committee increased the proportion of annual equity awards that consist of performance share units to 35% and, in part to manage the dilutive effect of our compensation program, eliminated the practice of granting stock options as part of our annual equity awards. We generally award fewer shares subject to full value awards than we would stock options in order to achieve the desired grant value of the equity award, since the grant date value of one share of stock subject to a full value award, using customary valuation principles, is greater than the value of one share of stock subject to a stock option.

The Compensation Committee further increased the proportion of performance share units to 40% for fiscal 2013 and introduced performance share units as part of new-hire equity awards to officers.

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The 2008 Plan is a broad-based plan that we use to make grants to our officers, directors and employees. During fiscal 2012 and early fiscal 2013, we had a significant management transition, including the recruitment of a new Chief Executive Officer, two new Chief Financial Officers and Head of Global Field Operations. These new executives, as well as other key employees, were granted new-hire equity awards that were larger than typical annual grants as incentives to accept our offers of employment and as incentives for future performance. In connection with our management transition and the resignation of our former chief executive officer and departure of two other prior named executive officers, a significant number of shares subject to outstanding equity awards were forfeited during fiscal 2012.

As a component of our new strategic plan announced in April 2012, we have executed on an aggressive share buyback program, resulting in the repurchase of approximately 11 million shares of our common stock as of April 10, 2013. Burn Rate Is Reasonable. The following table provides detailed information regarding the activity related to our stock plans for fiscal year 2012. As seen in the following table, more shares were cancelled than granted in fiscal 2012 due in large part to our significant management transition and the awards held by resigning executives that did not vest based on the service conditions and were therefore cancelled.

	Fiscal Year 2012
Stock Options Granted	1,025,953
Full Value Awards Granted	1,120,593
Stock Options Cancelled	2,076,982
Full Value Awards Cancelled	297,199
Weighted-Average Common Stock Outstanding	62,881,000

The following table shows our responsible burn rate history. We believe that our net burn rate is particularly important to consider in light of our leadership transition in fiscal 2012. Our net burn rate in fiscal 2012 was negative and our historical three-year average net burn rate is 1.3%.

	Fiscal 2012 (3)	Fiscal 2011	Fiscal 2010
Gross Burn Rate (1)	3.4%	2.9%	5.0%
Net Burn Rate (2)	(0.4)%	1.7%	2.5%

(1) Gross Burn Rate is defined as (shares subject to all equity incentive awards granted)/weighted average common shares outstanding. Time-based vesting awards are presented in the year the awards are deemed earned.

Net Burn Rate is defined as (shares subject to all equity incentive awards granted less shares subject to options and other equity incentives that expired, terminated or were forfeited)/weighted average common shares outstanding.

(2) Time-based vesting awards are presented in the year granted and performance-based awards are presented in the year the awards are deemed earned.

In fiscal 2012, our gross burn rate was greater than in prior years in connection with our management transition and the recruitment of our new Chief Executive Officer and three other new named executive officers. Also, in

(3) connection with our leadership transition and the resignation of former chief executive officer and departure of two other prior named executive officers, a significant number of shares subject to outstanding equity awards were forfeited during fiscal 2012.

Required Vote and Board Recommendation

If a quorum is present at the 2013 Annual Meeting, a majority of the votes properly cast at the meeting will be required to approve the proposed amendment and restatement of the 2008 Plan.

Our Board of Directors recommends that you vote FOR the approval of the amendment and restatement of the 2008 Plan to, among other things, increase the number of shares of common stock authorized for issuance under the 2008 Plan by 7,500,000 shares.

Summary of the Provisions of the 2008 Plan

The following summary of the 2008 Plan, as proposed to be amended and restated, is qualified in its entirety by the specific language of the 2008 Plan, as proposed to be amended and restated, a copy of which is attached as Annex A to this proxy statement.

The 2008 Plan is administered by the Compensation Committee (the “Administrator”), which consists of at least two “Outside Directors.” An “Outside Director” means any director who (1) is not an employee of our company or of any “affiliated group,” as such term is defined in Section 1504(a) of the Code, which includes the company (we refer to such a person as an “Affiliate”), (2) is not a former employee of our company or any Affiliate who is receiving compensation for prior services (other than benefits under a tax-qualified retirement plan) during the company’s or any Affiliate’s taxable year, (3) has not been an officer of our company or any Affiliate, and (4) does not receive remuneration from our company or any Affiliate, either directly or indirectly, in any capacity other than as a director.

The 2008 Plan permits the granting to officers, directors, employees and others who provide services to our company, at the discretion of the Administrator, of a variety of stock incentive awards based on our common stock. Awards under the 2008 Plan include stock options (both incentive and non-qualified), stock appreciation rights, restricted stock awards, unrestricted stock awards, performance share awards, deferred stock awards, cash-based awards and dividend equivalent rights. The Administrator selects the persons to whom awards are granted and the number, type and terms of the award granted. As of April 10, 2013, we had five non-employee directors and approximately 1,100 employees eligible to receive awards under the 2008 Plan.

Shares Available for Awards. Subject to adjustment for certain changes in our capitalization, the maximum number of shares of common stock available for issuance under the 2008 Plan is equal to the sum of (i) 22,200,000, plus (ii) the number of shares of common stock that were available for grant on the effective date of the 2008 Plan under the Old Stock Plans, plus (iii) the number of shares of common stock underlying any grants pursuant to the Old Stock Plans that are forfeited, cancelled, repurchased or are terminated (other than by exercise) from and after the effective date of the 2008 Plan, plus (iv) the number of shares of common stock underlying any grants pursuant to the 2008 Plan that are forfeited, cancelled, repurchased or are terminated (other than by exercise).

Shares tendered or held back upon exercise of a stock option or stock appreciation right to cover the exercise price or tax withholding will not be available for future issuance under the 2008 Plan. Shares tendered or held back upon settlement of any full value award to cover the purchase price or tax withholding will be available for future issuance under the 2008 Plan. Shares repurchased by the company on the open market with the proceeds of a stock option or stock appreciation right exercise price will no longer be available for issuance under the 2008 Plan. Upon exercise of stock appreciation rights, the gross number of shares exercised will be deducted from the total number of shares remaining available for issuance under the 2008 Plan.

The grant of any full value award reduces the number of shares of common stock available for issuance under the 2008 Plan by 2.25 shares of common stock for each such share subject to the award. To the extent there is a share of common stock issuable pursuant to a full value award under the 2008 Plan and such share becomes available again for issuance under the 2008 Plan pursuant to the preceding paragraph, then the number of shares of common stock available for issuance under the 2008 Plan will increase by 2.25 shares. The grant of an option or a stock appreciation right reduces the number of shares of common stock available for issuance by one share of common stock for each share subject to the award.

Subject to adjustment for certain changes in our capitalization, the maximum number of shares of stock that may be issued in the form of incentive stock options under the 2008 Plan may not exceed 14,700,000.

Stock Options. The 2008 Plan permits the granting of (1) options to purchase common stock intended to qualify as incentive stock options, or Incentive Options, under Section 422 of the Code, and (2) options that do not so qualify, or Non-Qualified Options. The option exercise price of each option is determined by the Administrator but may not be less than 100% of the fair market value of the shares on the date of grant. The option exercise price of each option cannot be reduced without shareholder approval.

The term of each option is fixed by the Administrator and may not exceed seven years from date of grant. The Administrator determines at what time or times each option may be exercised and, subject to the provisions of the

2008 Plan, the period of time, if any, after death, disability or termination of employment during which options may be exercised. Options may be made exercisable in installments, and the exercisability of options may be accelerated by the Administrator.

The exercise price of options granted under the 2008 Plan may be paid in cash or bank check or other instrument acceptable to the Administrator, or, with the consent of the Administrator, in shares of common stock. The exercise price may also be delivered by a broker pursuant to irrevocable instructions to the broker from the optionee.