

PROGRESS SOFTWARE CORP /MA

Form 10-K/A

March 29, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the Fiscal Year Ended November 30, 2015

or

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

Commission File Number: 0-19417

PROGRESS SOFTWARE CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

14 Oak Park

Bedford, Massachusetts 01730

(Address of Principal Executive Offices)

Telephone Number: (781) 280-4000

04-2746201

(I.R.S. Employer Identification No.)

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

Title of Each Class

Common Stock \$.01 par value

Name of Each Exchange on Which Registered

The NASDAQ Global Select Market

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

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

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of May 31, 2015 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of voting stock held by non-affiliates of the registrant was approximately \$1,292,000,000.

As of March 2, 2016, there were 50,370,516 common shares outstanding.

Documents Incorporated by Reference

None

PROGRESS SOFTWARE CORPORATION

FORM 10-K/A

For the year ended November 30, 2015

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EXPLANATORY NOTE

Progress Software Corporation (referred to as Progress, the company, we, us or our) is filing this Amendment No. 1 on Form 10-K/A (this “Amendment”) to its Annual Report on Form 10-K for the year ended November 30, 2015, originally filed on January 29, 2016 (the “Original Report”), for the sole purpose of including the information required by Part III of Form 10-K. Accordingly, Items 10, 11, 12, 13, and 14 of Part III of our Original Report are replaced in their entirety with the information provided herein. This Form 10-K/A does not amend, update or change any other items or disclosure in the Original Report or reflect events that occurred after the date of the Original Report. Therefore, this Amendment should be read in conjunction with our Original Report and our other filings made with the United States Securities and Exchange Commission (“SEC”) subsequent to the filing of the Original Report. This Form 10-K/A also includes as exhibits the certifications required by Rule 13a-14(a) of the Securities Exchange Act of 1934.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Board of Directors

Currently, our Board of Directors is comprised of seven members. Each director has been elected to hold office until the next annual meeting of shareholders or special meeting in lieu of such annual meeting or 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.

The following table sets forth our directors, 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	67	Director
John R. Egan ⁽²⁾⁽³⁾	58	Non-Executive Chairman of the Board
Ram Gupta ⁽¹⁾⁽²⁾	54	Director
Charles F. Kane ⁽¹⁾⁽³⁾	58	Director
David A. Krall ⁽²⁾⁽³⁾	55	Director
Michael L. Mark ⁽¹⁾⁽²⁾	70	Director
Philip M. Pead	63	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 has also served as Chairman of Aveksa Inc, Chairman of Day Software Holding AG, and on the Board of Directors of StubHub Inc.

As the founder and former Chief Executive Officer of Netegrity, Inc., 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 Carruth Management, LLC, 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 (NYSE: EMC), a publicly-held global leader in information technology, 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 serves on the Board of Directors for other publicly-traded and privately-held companies. They include: EMC Corporation (NYSE: EMC), VMWare, Inc. (NYSE: VMW), a publicly-traded leader in virtualization and cloud infrastructure, Verint Systems, Inc. (NASDAQ: VRNT), a publicly-held provider of systems to the internet security market, and NetScout Systems, Inc. (NASDAQ: NTCT), a publicly-held network performance management company, 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 and development. Mr. Egan also has

extensive experience serving as 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

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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 Limited, 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 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. (NYSE: AZPN), a publicly-traded provider of supply chain management software and professional services. Mr. Kane is currently a director of Demandware, Inc. (NYSE: DWRE), a publicly-traded leading provider of software-as-a-service (SaaS) ecommerce solutions that enable companies to deliver customized shopping experiences to consumers in the digital world, Carbonite, Inc. (NASDAQ: CARB), a publicly-traded leading provider of online backup solutions for consumers and small and medium sized businesses, and Realpage Inc. (NASDAQ: RP), a publicly-traded company providing on-demand software solutions for the rental housing industry. 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 has served as a strategic advisor to Roku, Inc., a leading manufacturer of media players for streaming entertainment since December 2010, and to Avegant Corp., a privately-held leading developer of the next generation of wearable devices since February, 2016. From February 2010 to November 2010, he served as President and Chief Operating Officer of Roku, where he was responsible for managing all functional areas of the company. Prior to that, Mr. Krall spent two years as President and Chief Executive Officer of QSecure, Inc., a privately-held developer of secure credit cards based on micro-electro-mechanical-system technology. From 1995 to July 2007, he held a variety of positions of increasing responsibility and scope at Avid Technology, Inc. (NYSE: AVID), a publicly-traded leading provider of digital media creation tools for the media and entertainment industry. His tenure at Avid included serving seven years as the company's President and Chief Executive Officer. Mr. Krall also currently serves on the Board of Directors for Universal Audio, Inc., a privately-held manufacturer of audio hardware and software plug-ins, WeVideo, Inc., privately-held a provider of a collaborative video editing platform, Audinate Pty Ltd., a creator of the industry-leading media networking technology, and Quantum Corp. (NYSE: QTM), a publicly-traded global expert in data protection and big data management.

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 Company, American Energy Services, Inc., and Cadmus Computer Systems Corporation. Mr. Mark is also 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 thirty 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

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 Inc. (NASDAQ: MDRX), a publicly-traded 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 many years of 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 Change Healthcare Holdings, Inc. (f/k/a/ Emdeon Inc.), which was a publicly-traded company until it was acquired by The Blackstone Group L.P. and Hellman & Friedman LLC., and aLabs Corp., doing business as Accumen, a privately-held technology company focused on partnering with health systems to deliver lab excellence.

Executive and Other Key Officers of the Registrant

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

Name	Age	Position
Michael Benedict	43	Chief Product Officer
Stephen Faberman	46	Chief Legal Counsel
Svetozar Georgiev	38	Senior Vice President, Application Platforms
Philip Pead	62	President and Chief Executive Officer
Chris Perkins	52	Chief Financial Officer
Melissa Puls	41	Chief Marketing Officer
Matthew Robinson	42	Chief Technology Officer
Jerry Rulli	58	Chief Operating Officer
Robert Steward	45	Chief Product Development Officer
Dimitre Taslakov	38	Chief Talent Officer
Vassil Terziev	36	Chief Innovation Officer

Mr. Benedict became Chief Product Officer in October 2015. Prior to that time, beginning in September 2014, Mr. Benedict was President, Data Connectivity and Integration Business Unit. Prior to that time, Mr. Benedict was Vice President, Pacific Cloud Platform and OpenEdge Product Line, a position he assumed in June 2013. Prior to that time, Mr. Benedict was Vice President, Data Connectivity Business Line Leader since May 2012. From March 2011 to May 2012, Mr. Benedict was Vice President of Product Management.

Mr. Faberman became Chief Legal Counsel in December 2015. Prior to that time, Mr. Faberman was Senior Vice President, General Counsel. Mr. Faberman became General Counsel in December 2012 and a Senior Vice President in January 2014. Prior to that time, from October 2012 to December 2012, Mr. Faberman was Vice President, Acting General Counsel, and from January 2012 to October 2012, Mr. Faberman was Vice President, Deputy General Counsel.

Mr. Georgiev became Senior Vice President, Application Platforms in December 2014 upon our acquisition of Telerik, Inc. Prior to the acquisition, Mr. Georgiev was co-Chief Executive Officer of Telerik, Inc. which he co-founded in 2002.

Mr. Pead became President and Chief Executive Officer in December 2012. Prior to that time, from November 2012 to December 2012, Mr. Pead was Executive Chairman and Interim Chief Executive Officer. Prior to that time, from May 2012 until November 2012, Mr. Pead served as non-Executive Chairman of the Board. Mr. Pead joined our Board of Directors in July 2011.

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Mr. Perkins became Chief Financial Officer in February 2013. Prior to that time, Mr. Perkins was a member of the Board of Directors of Immucor, Inc. from August 2008 until August 2011, when it was acquired by an affiliate of TPG Capital, L.P.

Ms. Puls became Chief Marketing Officer in October 2014. Prior to that time, Ms. Puls held various executive marketing positions at Iron Mountain, Inc., the most recent of which was Vice President, Global Demand Center, a position she held from January 2014 until October 2014. Ms. Puls joined Iron Mountain, Inc. in March 2011.

Mr. Robinson became Chief Technology Officer in May 2015. Prior to that time, Mr. Robinson was Vice President, Technology within our Application Development and Deployment business unit. Mr. Robinson joined our company in June 2013 in connection with the acquisition of Rollbase Inc., which Mr. Robinson co-founded in 2007.

Mr. Rulli became Chief Operating Officer in July 2015. Prior to that time, Mr. Rulli was President, OpenEdge Business Unit from August 2014 when he joined us. Prior to that time, from June 2010 to May 2014, Mr. Rulli was Executive Vice President, Worldwide Sales at Iron Mountain, Inc.

Mr. Steward became Chief Product Development Officer in October 2015. Prior to that time, Mr. Steward was Acting Chief Product Development Officer and Vice President, Engineering from April 2015 until October 2015. From June 2013 until April 2015, Mr. Steward was Vice President, Product Development. Prior to that time, Mr. Steward held several other senior positions within our development organization.

Mr. Taslakov became Chief Talent Officer in December 2014 upon our acquisition of Telerik, Inc. Prior to the acquisition, Mr. Taslakov was Chief Talent Officer of Telerik, Inc. a position he assumed in January 2014. Prior to that time, from November 2012 until December 2013, he was Telerik's Chief Revenue Officer. Prior to November 2012, Mr. Taslakov was Vice President of Business Development.

Mr. Terziev became Chief Innovation Officer in December 2014 upon our acquisition of Telerik, Inc. Prior to the acquisition, Mr. Terziev was co-Chief Executive Officer of Telerik, Inc. which he co-founded in 2002.

Audit Committee

The Audit Committee of our Board of Directors during 2015 consisted of Messrs. Gupta, Kane, and Mark, with Mr. Kane serving as Chairman. The Audit Committee met eight times during 2015.

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 "Company Info/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.

For 2015, 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.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers, and holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. These reporting persons are required by regulations of the SEC to furnish us with copies of all such filings. Based solely on a review of the copies of such forms that we have received, and on written representations from certain reporting persons, we believe that, with respect to the fiscal year ended November 30, 2015, our directors, officers, and 10% stockholders complied with all applicable Section 16(a) filing requirements.

Code of Conduct and Business Ethics

Our Board of Directors has adopted a Code of Conduct and Business Ethics that applies to all of our officers, directors, and employees. A copy of the Code of Conduct and Business Ethics can be found on our website at www.progress.com under the heading "Corporate Governance" located on the "Company Info/Who We Are" page.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This “Compensation Discussion and Analysis” section describes the elements of our compensation programs for our executive officers. This section also provides an overview of our executive compensation philosophy and analyzes how and why the Compensation Committee of our Board of Directors arrives at specific compensation decisions and policies.

We describe below our compensation philosophy, policies, and practices relating to the fiscal year ended November 30, 2015 with respect to the following “named executive officers,” whose compensation is set forth in the Summary Compensation Table and other compensation tables contained in this Form 10-K/A:

Philip Pead, our Chief Executive Officer;

Chris Perkins, our Chief Financial Officer;

Jerry Rulli, our Chief Operating Officer;

Matthew Robinson, our Chief Technology Officer;

Michael Benedict, our Chief Product Officer; and

Karen Tegan Padir, who served as our President, Application Development and Deployment Business Unit until October 16, 2015.

We present our Compensation Discussion and Analysis in the following sections:

1. Executive Summary. In this section, we discuss our 2015 corporate performance and certain governance aspects of our executive compensation program. p. 9
2. Executive Compensation Program. In this section, we describe our executive compensation philosophy and process and the material elements of our executive compensation program. p. 14
3. 2015 Executive Compensation Decisions. In this section, we provide an overview of our Compensation Committee’s executive compensation decisions for 2015 and certain actions taken before or after 2015 when doing so enhances the understanding of our executive compensation program. p. 18
4. Other Executive Compensation Matters. In this section, we describe our other compensation policies and review the accounting and tax treatment of compensation. p. 29

Executive Summary

Business Overview

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

Execution of Transformational Strategic Plan

Beginning in 2012, we embarked on a major shift in our strategy by refocusing our efforts on our core strengths in application development with the ultimate goal of becoming a leading provider of next-generation application development capabilities in the cloud. Our vision is to become the leading destination for developers and our foundation for future growth is built upon executing this vision. At the beginning of fiscal 2015, we took a significant step forward in achieving our vision by acquiring Telerik, a leading provider of application development tools. Telerik enables its 1.7 million strong developer community to create compelling user experiences across cloud, web, mobile and desktop applications. The Telerik acquisition strengthened our capabilities so that we now provide comprehensive cloud and on-premise platform offerings that enable developers to rapidly create beautiful applications, driven by data for any web, desktop or mobile platform.

During fiscal 2015, by leveraging products and solutions acquired as part of Telerik, we further refined our strategy by focusing our efforts on addressing the needs of businesses that are undergoing digital transformation. Developers play an integral role in helping businesses undergo digital transformation, and our products and solutions align with the needs of

those businesses. Web, mobile, rules, and data connectivity are all critical to this rapidly evolving space, and our technologies excel in all of these areas. Our digital transformation strategy is a multi-year one and requires that we make investments in those product lines and technologies that address this growing challenge.

As reflected in the chart below, our strategic transformation has been a multi-year journey. Although we have completed the major elements of the new strategic plan, our transformation is on-going. As described below, our executive compensation programs have been designed with this transformation in mind by tying the outcomes of our executive incentive compensation awards to the achievement of aggressive strategic and financial performance objectives designed to build sustainable long-term stockholder value.

FY12	FY13	FY14	FY15
			December 2014 Acquire Telerik - attract more developers, complete the offering for all phases of the development lifecycle, growing opportunity in web content mgmt.
April 2012 Announce new strategic plan, covering new product strategy, divestitures and share buyback	January 2013 Focus on OpenEdge base, new product releases with mobile, BPM and rules	January 2014 Visionary in aPaaS Gartner Magic Quadrant, only behind Salesforce.com and Microsoft	
October 2012 Launch \$350M share buyback, completed in November 2013	June 2013 Acquire high-productivity PaaS Rollbase	June 2014 Launch Rollbase Mobile; acquire control PaaS Modulus, enter fast-growing Node.js ecosystem	July 2015 Jerry Rulli becomes COO
November/December 2012 Phil Pead becomes CEO	July 2013 Complete last divestiture of 11 non-core products	September 2014 Reorganization into 3 business units	November 2015 Launch Telerik Platform for OpenEdge, providing for integration of OpenEdge with the Telerik mobile application development platform
	August 2013 Launch DataDirect Cloud		

2015 Organizational Transformation

In fiscal 2015, we operated as three distinct business units: OpenEdge, Data Connectivity and Integration (DCI), and Application Development and Deployment (AD&D), each with dedicated sales, product management, and product marketing functions. This organizational change, which was designed to more closely align our operational structure with our strategic plan, allowed us to provide greater focus and agility in the delivery of next generation application development, deployment, and integration solutions. It also enabled the business to better deliver against the fast paced requirements in the on-premise and cloud application development and data connectivity and integration markets. Each business unit was led by a President, Mr. Rulli, in the case of OpenEdge, Mr. Benedict, in the case of DCI, and Ms. Padir, in the case of AD&D.

In July 2015, Mr. Rulli became our Chief Operating Officer. As Chief Operating Officer, Mr. Rulli assumed responsibility for driving the operations of the three business units while continuing to manage the OpenEdge Business Unit on a day-to-day basis. We made this decision because we saw opportunities to better align business unit priorities and go-to-market strategies and to ensure operational excellence across the company.

In October 2015, we further refined our business unit structure to enhance integration and collaboration across our product divisions in order to address expanding market opportunities around customer experiences and to further advance our growth strategy. The organizational changes were designed to align our company's operations around a cohesive, audience-centered approach and a strategic product management organization. As described below, we retained our business unit focus and segment reporting.

However, as part of these organizational changes, we eliminated the role of Business Unit President. In place of the Business Unit Presidents, we unified our product management and product marketing functions under Mr. Benedict, as Chief Product Officer, reporting to Mr. Rulli. We retained our business unit focus within the Chief Product Office organization, with dedicated product teams for each business segment, each under the leadership of a general manager reporting directly to Mr. Benedict.

In order to ensure tighter integration between the company's product management, marketing, and development functions, we also realigned corporate marketing and engineering and development to report to Mr. Rulli. Our sales resources report directly into the company's geographic regions under Mr. Rulli, while retaining the dedicated business segment sales teams for each of the products.

With the elimination of the role of Business Unit President, Ms. Padir left our company in October 2015.

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2015 Financial Results

In fiscal 2015, we achieved solid performance across all key areas of our business. For fiscal 2015:

	Fiscal 2014	Fiscal 2015	% increase
Total Non-GAAP Revenue	\$332.5 million	\$412.4 million	24%
Net Income	\$77.9 million	\$80.6 million	3%
Non-GAAP Operating Income	\$117.4 million	\$120.4 million	3%
Non-GAAP Earnings Per Share	\$1.51	\$1.58	5%
Adjusted Free Cash Flow	\$99.0 million	\$102 million	3%

A reconciliation between the Non-GAAP measures and GAAP results is located at the end of this Compensation Discussion & Analysis section.

However, despite our strong performance, our financial results fell short of our aggressive expectations. We were adversely impacted by weakness in economic conditions in certain international markets such as Brazil and within parts of Europe. We were also adversely impacted by a slower first half of 2015 in certain product lines, including the Telerik products as we worked to integrate Telerik with our other operations. As a result of our financial results falling short of our expectations, Mr. Pead and Mr. Perkins did not receive any portion of their target bonus in fiscal 2015.

2015 Executive Compensation Program Design

Consistent with its pay-for-performance philosophy, the Compensation Committee, in designing our executive compensation programs for fiscal 2015, emphasized alignment with our aggressive short- and long-term business goals. As shown in the following chart, for 2015, 70% of our named executive officers' target total direct compensation was performance-based. In addition, approximately 80% of Mr. Pead's and the other named executive officers' long term equity incentive compensation was delivered in the form of performance-based awards.

2015 Executive Compensation Results - Commitment to Pay-for-Performance Philosophy

Our executive compensation programs are designed to directly tie the outcomes of our compensation programs for our executive officers to the achievement of our key financial performance objectives and returns to our stockholders, and drive the creation of sustainable long-term stockholder value. When results do not meet our expectations, as was the case in

2015 (and 2014), our named executive officers' receive compensation that is below our target levels and may be below market in comparison to our peer group.

No Corporate Bonus Payout for Performance Below Threshold. Our fiscal 2015 financial results fell short of the threshold level of performance applicable to the named executive officers under the Corporate Bonus Plan. As a result, Mr. Pead and the other named executive officers subject to the Corporate Bonus Plan did not receive any portion of their annual cash bonus under that plan.

Achievement Under Business Unit Bonus Plans. Mr. Rulli and Mr. Benedict received 38% and 79%, respectively, of their annual cash bonus based on performance under their respective Business Unit Bonus Plans. Ms. Padir received 29% of her annual cash bonus based on the performance of the AD&D business unit pursuant to the separation agreement we entered into in connection with her termination of employment.

Strong EPS Performance. Our 2015 annual performance equity program applicable to named executive officers was tied to our earnings per share performance. Based on our achievement of non-GAAP earnings per share of \$1.74 against a target of \$1.77, our named executive officers earned 84% of their performance share units.

CEO Pay and Performance Alignment

We believe our executive compensation program has been effective at driving the achievement of our target financial and strategic results, appropriately aligning executive pay and corporate performance and enabling us to attract and retain top executives within our industry. When results do not meet our expectations, as was the case in 2015 (and 2014), our named executive officers' receive compensation that is below our target levels and may be below market in comparison to our peer group. As shown in the table below, fiscal 2015 marked the second consecutive year that Mr. Pead's total target and realizable compensation decreased year-over-year.

Fiscal Year	Total Target Compensation (\$)(1)	% Performance-Based Compensation	Total Realizable Compensation (\$)(2)	% of Target Compensation Realized
2013	13,150,000	41%	14,275,640	109%
2014	6,100,000	61%	2,411,754	40%
2015	3,800,000	70%	1,595,278	42%

(1) Total Target Compensation is defined as the sum of (a) base salary, (b) target bonus, (c) the value of restricted stock units awarded equal to the number of RSUs granted multiplied by the closing price of our stock on the grant date, (d) the value of performance share units awarded relating to annual performance equal to the number of PSUs granted multiplied by the closing price of our stock on the grant date, and (e) in the case of fiscal 2014 and 2015, the value of the PSUs awarded under the Long Term Incentive Plan equal to the number of PSUs granted multiplied by the closing price of our stock on the grant date.

(2) Total Realizable Compensation is defined as the sum of (a) base salary, (b) in the case of fiscal 2013, the bonus paid to Mr. Pead under the 2013 Corporate Bonus Plan, (c) the value of restricted stock units awarded equal to the number of RSUs granted multiplied by the closing price of our stock on November 30, 2015, which was \$23.99, and (d) in the case of fiscal 2013 and fiscal 2015, the value of the PSUs awarded relating to annual performance equal to the number of PSUs finally awarded multiplied by the closing price of our stock on November 30, 2015, which was \$23.99. We exclude the value of the PSUs awarded under the Long Term Incentive Plan in fiscal 2014 and fiscal 2015 because as of the end of our fiscal year ended November 30, 2015, none of those PSUs would vest. As a result of our financial performance in fiscal 2014, Mr. Pead did not earn any portion of his annual bonus or his \$1.75 million PSU award. As a result of our financial performance in fiscal 2015, Mr. Pead did not earn any portion of his annual bonus.

In November 2012, Mr. Pead became our Interim Chief Executive Officer after the sudden departure of our prior Chief Executive Officer. At that time, we were in the midst of substantial change in our strategy, management team, organization, product lines, and operations. Although our Board commenced a search process to recruit a permanent replacement, ultimately, our Board determined that Mr. Pead was the best candidate to serve as our President and Chief Executive Officer in light of his experience, knowledge of our company, and relationship with our shareholders and the investment community generally.

To recruit Mr. Pead to serve as Chief Executive Officer, we developed a compensation package that included a new hire equity award with a value in excess of the typical annual award for which Mr. Pead would otherwise have been eligible under our annual equity program. The Compensation Committee's philosophy with respect to new hire awards is that they should be larger than awards under our annual equity program in order to recruit executives during challenging transition periods and to align the interests of new executives with the interests of our shareholders. In line with our pay-for-performance philosophy, 40% of the value of Mr. Pead's new hire equity award was delivered in the form of PSUs that vested

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based on achievement of the pre-determined revenue and non-GAAP operating income goals in our 2013 budget and operating plan.

Following fiscal 2013, the amount and mix of Mr. Pead's compensation has changed significantly:

For fiscal 2014, Mr. Pead's annual equity award was reduced to a value of \$3.5 million, with 50% of the award in the form of RSUs and 50% in the form of PSUs.

For fiscal 2015, Mr. Pead's annual equity award was reduced to a value of \$1.2 million, with 40% in the form of RSUs and 60% in the form of PSUs.

For each of fiscal 2014 and 2015, Mr. Pead received an award under our long-term performance based equity program based on our total relative stockholder return over a three-year performance period.

80% of Mr. Pead's total equity compensation awarded in 2015 (annual and long-term) was performance-based.

Mr. Pead's base salary and annual target bonus have not changed since 2013.

Excluding Mr. Pead's fiscal 2013 new hire award, Mr. Pead's aggregate realizable pay since he became Chief Executive Officer is less than the 25th percentile among the chief executive officers of our peer companies.

Response to 2015 Say-on-Pay Vote

We value the input of our stockholders on our compensation programs. We hold an advisory vote on executive compensation on an annual basis. We also regularly communicate with our stockholders to better understand their opinions on governance issues, including compensation. The Compensation Committee carefully considers stockholder feedback and the outcome of each vote when reviewing our executive compensation programs each year.

At our 2015 annual stockholders meeting, over 90% of the votes cast approved, on an advisory basis, our executive compensation for fiscal year 2014. This represented a substantial improvement from the 58% stockholder approval received in 2014 with respect to our 2013 executive compensation. We were pleased with this level of support and believe the improvement in the vote is reflective of the changes in our executive compensation programs adopted by the Compensation Committee during the past two years, including the following:

Multi-Year Performance Period - reduction of performance-based equity tied to one-year performance periods and adoption of a long-term performance based equity program based on our relative total stockholder return over a three-year performance period;

Pay-for-Performance - substantial increase in proportion of total target compensation that is performance based;

Varied Performance Metrics - use of different metrics in our annual cash bonus program and equity plans;

Responsible Recruiting Practices - issuance of new hire awards to executives that are at least 50% performance based; and

Rigorous Performance Goals - design of our annual bonus plans so that no payout would occur unless we achieve financial objectives that are over 95% of our aggressive operating plan and budget.

Before and after implementing these changes, we contacted stockholders to discuss and obtain feedback on the various components of our executive compensation program. In addition to taking stockholder feedback into account, the Compensation Committee has evaluated a number of other factors discussed below in making decisions about our executive compensation approach.

Compensation Governance

What We Do:

Pay-for-performance (page 18)

Grant performance-based equity awards with performance measures that span up to three years (page 27)

Use a balanced mix of fixed and variable cash incentives and long-term equity (page 17)

Maintain stock ownership guidelines (page 29)

Maintain a compensation recovery (or "clawback") policy (page 30)

Limit payments and benefits following a change in control of our company to situations involving an involuntary termination of employment (a so-called "double trigger" arrangement) (page 38)

Design our annual incentive plans so that payout of awards does not occur if we fail to achieve growth in the applicable financial metrics over the prior year and if we do not achieve at least 95% of our annual operating plan and budget (page 24)

Cap the amounts our executives can earn under our annual incentive plans (page 24)

Aim to mitigate the potential dilutive effect of equity awards and to return capital to stockholders through a share repurchase program

What We Don't Do:

We don't provide perquisites or other personal benefits that are not available to all of our employees (page 17)

We don't allow unvested and unexercised equity awards to be transferred

We don't guarantee salary increases or non-performance-based bonuses (page 31)

We don't provide excise tax gross-ups (page 39)

We don't allow hedging transactions or pledging of company stock by directors and executive officers (page 30)

Executive Compensation Program

Philosophy and Objectives

Our philosophy is to reward executive officers based upon corporate performance, as well as to provide long-term incentives for the achievement of future financial and strategic goals. We use a combination of cash compensation, composed of base salary and an annual cash bonus program, long-term equity incentive compensation programs, and a broad-based benefits program to create a competitive compensation package for our executive management team. We tie the payment of cash and equity incentive compensation to executive officers exclusively to the achievement of financial objectives.

In recent years, including fiscal 2015, the Compensation Committee has structured our executive compensation programs to reflect an appropriate risk/reward balance in light of the transformational change in our strategy we have undertaken. As such, our philosophy is to provide substantial rewards/incentives to our executive team for achieving challenging results that are aligned with stockholder goals. For example, in structuring our performance-based compensation programs, such as our annual Corporate Bonus Plan, our philosophy is to set financial targets that are difficult to attain and require achievement of financial objectives closely linked to our annual operating plan and budget. If those targets are not met within 90% (or for 2015, 95%) of our budget, no bonus is paid. However, if we meet or exceed our aggressive goals, bonuses in excess of target can be earned subject to maximum payouts. In either case, our interests are aligned with those of our stockholders.

Compensation Review Process

Role of Compensation Committee

Each year, the Compensation Committee begins the process of reviewing executive officer compensation for the next fiscal year. The Compensation Committee is provided with reports from its independent compensation consultant comparing our executive compensation and equity granting practices relative to the market and to our peer group. The Compensation Committee reviews recommendations from management on the current fiscal year annual and long-term incentive compensation programs. The Compensation Committee then reviews and approves changes to executive officers' total target cash compensation, which includes base salary and target incentive compensation, and long-term equity incentive compensation. The Compensation Committee reviews all recommendations in light of our compensation philosophy and generally seeks input from its independent compensation consultant prior to making any final decisions.

Role of Chief Executive Officer

As our Chief Executive Officer, Mr. Pead makes recommendations to the Compensation Committee with respect to compensation for his direct reports (including our other named executive officers), including the terms of these executives' annual incentive compensation and long-term equity compensation. Mr. Pead considers factors such as tenure, individual performance, responsibilities, and experience levels of the executives, as well as the compensation of the executives relative to one another, when making recommendations regarding appropriate total compensation of our executives.

Mr. Pead typically discusses his initial recommendations with the Chairman of the Compensation Committee or has management present them at Compensation Committee meetings. The Total Rewards group within our Human Capital

Department and individuals within our Finance and Legal Departments support the Compensation Committee in the performance of its responsibilities. During 2015, our Chief Financial Officer, Chief Legal Officer, and Chief Talent Officer and other representatives of the Human Capital and Finance departments regularly attended the Compensation Committee meetings to provide perspectives on the competitive landscape, the needs of the business, information about our financial performance and relevant legal and regulatory developments. The Compensation Committee meets in executive session without management to deliberate on executive compensation matters. The Compensation Committee considers, but does not always accept, Mr. Pead's recommendations regarding executive compensation. None of our executive officers participate in the Compensation Committee's deliberations or decisions with regard to their own compensation.

Role of Compensation Consultant

Our Compensation Committee retained Towers Watson to advise it on matters related to executive compensation in fiscal 2015 until October 2015. In October 2015, our Compensation Committee retained Pay Governance to advise it on matters related to executive compensation for the remainder of fiscal 2015 and for fiscal 2016. Towers Watson did not provide advice to the Compensation Committee after the retention of Pay Governance.

Other than providing limited guidance regarding our broad-based equity plan design for all employees, neither Towers Watson nor Pay Governance provided any services for management in fiscal 2015. Towers Watson and Pay Governance consulted with our management when requested by the Compensation Committee and only as necessary to obtain relevant compensation and performance data for the executives as well as essential business information so that it could effectively support the Compensation Committee with appropriate competitive market information and relevant analyses.

During 2015, Towers Watson and Pay Governance provided a range of services to the Compensation Committee to support the Compensation Committee's agenda and obligations, including providing regulatory updates, peer group compensation data so that the Compensation Committee could set compensation for executives in accordance with our policies, advice on the structure and competitiveness of our compensation programs, and advice on the consistency of our programs with our executive compensation philosophy.

Representatives of Towers Watson and Pay Governance attended Compensation Committee meetings and provided advice to the Compensation Committee upon its request. The Compensation Committee assessed the independence of Towers Watson and Pay Governance and determined that Towers Watson was, and Pay Governance is, independent of our company and has no relationships that could create a conflict of interest with us. As part of its assessment, the Compensation Committee considered the fact that neither Towers Watson nor Pay Governance provide any other services to us and consults with our management only as necessary to provide the services described above.

Peer Group

To assist the Compensation Committee in making decisions on total compensation for executives and company-wide equity grants, the Compensation Committee utilizes peer and industry group data and analyses. Each year, the Compensation Committee reviews with its external compensation consultant the list of peer companies as points of comparison, as necessary, to ensure that comparisons are meaningful. For fiscal 2015, Towers Watson provided recommendations on the composition of our peer group. Based on the facts described in the table below and management's input, for fiscal 2015, Towers Watson recommended, and the Compensation Committee approved, the following peer group:

General Description	Criteria Considered	Peer Group List
Software and high technology companies which operate in similar or related businesses and with which Progress competes for talent	Revenues and market capitalization within 0.3x to 3.0x of Progress	ANSYS Inc. Advent Software, Inc. Avid Technology, Inc. Bottomline Technologies, Inc. CommVault Systems, Inc. Concur Technologies, Inc. Epiq Systems, Inc. Informatica Corporation Manhattan Associates, Inc. MicroStrategy, Inc NetScout Systems, Inc. Pegasystems, Inc. Qlik Technologies, Inc. Riverbed Technology Inc. Rovi Corporation ServiceNow, Inc. Splunk, Inc, SolarWinds, Inc. The Ultimate Software Group, Inc.

Towers Watson then prepared a compensation analysis compiled from both an executive compensation survey and data gathered from publicly available information for our peer group companies. The executive compensation analysis prepared by Towers Watson also included survey data from the Towers Watson Top Management Executive Compensation Report and the Radford High Technology Executive Compensation Survey that contained between 65-135 companies (depending upon position) with revenues between \$200 million and \$500 million. The Compensation Committee used this data to compare the current compensation of our named executive officers to the peer group and to determine the relative market value for position, based on direct, quantitative comparisons of pay levels. The survey data was used when there was a lack of public peer data for an executive's position and to obtain a general market understanding of current compensation practices.

Competitive Positioning

The fiscal 2015 target total direct compensation for our named executive officers was set by the Compensation Committee based predominantly on competitive pay practices, as reflected in the peer group and survey data. The Compensation Committee reviews market data at the 25th, 50th, and 75th percentile and for fiscal 2015, generally targeted aggregate total direct compensation for the named executive officers as a group at the 50th percentile of our peer group in setting our executive compensation programs. Additional adjustments were considered based on an individual importance to our company, tenure, company and individual performance, anticipated future contributions, internal pay equity, and historical pay levels, as well as the level of an executive officer's unvested equity awards and incentives.

Components of Executive Officer Compensation

Compensation for our named executive officers currently consists of three primary components that are designed to reward performance in a simple and straightforward manner—base salaries, annual cash bonuses, and long-term equity awards. The purpose and key characteristics of each of these components and how each element accomplishes the goals and objectives of our program are summarized below.

Compensation Element	Objective	Key Features	2015 Performance Metrics
Cash Compensation	To attract, motivate and reward executives whose knowledge, skills, and performance are critical to our success		
Base Salary	To secure and retain services of key executive talent by providing a fixed level of cash compensation for performing essential elements of position	Adjustments may be made to reflect market conditions for a position, changes in the status or duties associated with a position, individual performance or internal equity	Not applicable
Annual Cash Bonus	To encourage and reward annual corporate performance that enhances short and long-term stockholder value	Cash bonuses are based on percentage of base salary, with actual awards based exclusively on attainment of objective corporate and/or business unit goals	Total non-GAAP revenue and non-GAAP operating income For fiscal 2016, added free cash flow metric
Equity Compensation	To align executives' interests with those of stockholders	Business unit goals align the leadership of the business unit to the revenue and operating margin goals of the specific business unit	For 2016, all named executive officers subject to Corporate Bonus Plan
Performance Share Units (PSUs)	To encourage and reward annual corporate performance that enhances long-term stockholder value	Subject to one-year performance criteria aligned with annual business plan, with three-year vesting period	Total non-GAAP earnings per share
Long-Term Incentive Plan (LTIP)	To align interests of management with those of our stockholders with the goal of creating long-term growth and value	Equity grant value equal to two times base salary Three-year performance period	Relative TSR in comparison to NASDAQ Software Index No payout occurs unless TSR above 50 th percentile
Restricted Stock Units (RSUs)	To retain executive talent	Service-based vesting over three-year period	70 th percentile performance required for target payout Not applicable
Other Compensation	To provide benefits that promote employee health and	Indirect compensation element consisting of	

welfare, which assists in attracting and retaining our executive officers	programs such as medical, dental, and vision insurance, a 401(k) plan with up to a 3% matching contribution, an employee stock purchase plan program, and other plans and programs made available to eligible employees
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Severance and Change in Control Benefits	<p>To serve our retention and motivational objectives helping our named executive officers maintain continued focus, dedication to their responsibilities and objectivity to maximize stockholder value, including in the event of a transaction that could result in a change in control of our company; particularly important in a time of increased consolidation in our industry and increased competition for executive talent.</p>	<p>Provides protection in the event of an involuntary termination of employment under specified circumstances, including following a change in control of our company as described below under “Potential Payments Upon Termination or Change in Control” and “Executive Compensation-Severance and Change in Control Agreements.”</p>
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2015 Executive Compensation Decisions

2015 Program Design

Consistent with its pay-for-performance philosophy, the Compensation Committee, in designing our executive compensation programs for fiscal 2015, emphasized alignment with our aggressive short- and long-term business goals. Among the highlights of our executive compensation design for fiscal 2015:

- Base salaries for our named executive officers targeted at market competitive levels.

Annual bonus plans in which the payout of bonuses was tied exclusively to financial performance and payout would not occur if we failed to achieve total revenue and operating income of at least 95% of our annual operating plan and budget.

Business Unit Bonus Plans applicable to the Business Unit Presidents in which we tied payout of bonuses to achievement of both corporate measures and specific business unit metrics to ensure alignment with our new organizational structure.

Payouts under the Corporate and Business Unit Bonus Plans capped at 150% of target amounts.

Equity plans in which a greater proportion of executives’ compensation was tied to long-term performance.

Reduced annual performance equity awards that utilized a different one-year performance metric than the annual cash bonus plan.

70% of our named executive officers’ target total direct compensation was performance-based.

80% of Mr. Pead’s and our other named executive officers’ long term equity incentive compensation was delivered in the form of performance-based awards.

Pay Mix

In setting the mix among the different elements of executive compensation, we do not target specific allocations, but generally weight target compensation more heavily toward performance-based compensation, both cash and equity. The percentage of performance-based compensation for our executive officers and other employees increases with job responsibility, reflecting our view of internal pay equity and the ability of a given employee to contribute to our results. We also generally align our compensation mix with the practices of our peer group when possible and to the extent consistent with our compensation strategy and business plan.

As shown in the tables below, the total direct compensation mix for Mr. Pead and our other named executive officers in fiscal 2015 was consistent with our peer group.

However, in designing our equity compensation program for fiscal 2015, the Compensation Committee placed significantly greater emphasis on performance-based equity than our peer companies.

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These allocations reflect our belief that a significant portion of our named executive officers' compensation should be performance-based and therefore "at risk" based on company performance, as well as subject to service requirements. Since our cash incentive opportunities and equity incentive awards have both upside opportunities and downside risks and our actual performance can deviate from the target goals, the amount of compensation actually earned will differ from the target allocations.

Individual Considerations

Below is a summary of the fiscal 2015 compensation decisions and changes for each individual named executive officer.

Philip Pead, President and Chief Executive Officer

	Fiscal 2014 Pay (\$)		Fiscal 2015 Pay (\$)		Change
Target Cash Compensation	1,300,000		1,300,000	(4)	—
Base Salary	650,000		650,000		—
Target Bonus	650,000	(1)	650,000	(1)	—
Target Equity Compensation	4,800,000		2,500,000		down 48%
Target Annual Equity	3,500,000	(2)	1,200,000	(5)	down 66%
Target Long-Term Equity	1,300,000	(3)	1,300,000	(3)	—
Total Target Compensation	6,100,000		3,800,000		down 38%

(1) Represents cash payable upon achievement of target performance under our Corporate Bonus Plan. Based on company performance, Mr. Pead earned no bonus in either fiscal 2014 or fiscal 2015.

(2) 50% of Mr. Pead's fiscal 2014 annual equity award was in the form of PSUs and 50% in the form of time-based RSUs. Mr. Pead did not earn any of the annual PSUs based on company performance in fiscal 2014.

(3) Represents PSUs issued to our executive officers under our Long Term Incentive Plan with a grant date value of two-times base salary and subject to three-year relative total shareholder return performance measures.

We evaluated Mr. Pead's fiscal 2015 total target compensation against our compensation peer group, as to individual elements and as to total compensation to determine whether any changes should be made to his fiscal 2015 total target compensation. We determined that his target cash compensation was in line with the market data.

At Mr. Pead's recommendation, we reduced Mr. Pead's fiscal 2015 target annual equity award by two-thirds in light of company performance in fiscal 2014, including in comparison to our peer companies. 60% of Mr. Pead's fiscal 2015 annual equity award was in the form PSUs and 40% in the form of time-based RSUs. Mr. Pead earned 84% of the annual PSUs based on company performance in fiscal 2015.

Chris Perkins, Chief Financial Officer

	Fiscal 2014 Pay (\$)		Fiscal 2015 Pay (\$)		Change
Target Cash Compensation	675,000		675,000	(4)	—
Base Salary	375,000		375,000		—
Target Bonus	300,000	(1)	300,000	(1)	—
Target Equity Compensation	1,450,000		1,250,000		down 10%
Target Annual Equity	700,000	(2)	500,000	(5)	down 21%
Target Long-Term Equity	750,000	(3)	750,000	(3)	—
Total Target Compensation	2,125,000		1,925,000		down 7%

(1) Represents cash payable upon achievement of target performance under our Corporate Bonus Plan. Based on company performance, Mr. Perkins earned no bonus in either fiscal 2014 or fiscal 2015.

(2) 50% of Mr. Perkins' fiscal 2014 annual equity award was in the form of PSUs and 50% in the form of time-based RSUs. Mr. Perkins did not earn any of the annual PSUs based on company performance in fiscal 2014.

(3) Represents PSUs issued to our executive officers under our Long Term Incentive Plan with a grant-date value of two-times base salary and subject to three-year relative total shareholder return performance measures.

(4) We evaluated Mr. Perkins' fiscal 2015 total target compensation against our compensation peer group, as to individual elements and as to total compensation to determine whether any changes should be made to his fiscal 2015 total target compensation. We determined that his target cash compensation was in line with the market data.

(5) We reduced Mr. Perkins' target annual equity award in fiscal 2015 based on internal pay equity considerations. 60% of Mr. Perkins' fiscal 2015 annual equity award was in the form PSUs and 40% in the form of time-based RSUs.

Mr. Perkins earned 84% of the annual PSUs based on company performance in fiscal 2015.

Jerry Rulli, Chief Operating Officer

	Fiscal 2014 Pay (\$)(1)		Fiscal 2015 Pay (\$)		Change
Target Cash Compensation	650,000		740,000		14%
Base Salary	350,000		400,000	(4)	14%
Target Bonus	300,000	(2)	340,000	(5)	13%
Target Equity Compensation	500,000		1,200,000		240%
Target Annual Equity	500,000	(3)	500,000	(6)	—
Target Long-Term Equity	—		700,000	(7)	N/A
Total Target Compensation	1,150,000		1,940,000		69%

(1) Mr. Rulli joined our company in August 2014. His initial compensation was determined pursuant to an employment letter we entered into with Mr. Rulli.

(2) Represents cash payable upon achievement of target performance under our Corporate Bonus Plan. Based on company performance, Mr. Rulli earned no bonus in fiscal 2014.

(3) Mr. Rulli received a new hire equity award consisting of RSUs with a value of \$500,000, which were issued in September 2014, and PSUs with a value of \$500,000, which were issued in January 2015 and based on company performance in fiscal 2015. The PSU portion of Mr. Rulli's new hire equity award is shown in the Fiscal 2015 Pay column.

(4) In July 2015, Mr. Rulli was promoted to Chief Operating Officer. In connection with this promotion, we evaluated Mr. Rulli's fiscal 2015 total target compensation against our compensation peer group, as to individual elements and as to total compensation to determine whether any changes should be made to his fiscal 2015 total target compensation. Based on this comparison and the increased responsibilities Mr. Rulli assumed as Chief Operating Officer, the Compensation Committee increased Mr. Rulli's base salary to \$400,000, which was below the 50th percentile of the market data among chief operating officers at our peer companies to reflect differences in

responsibilities. In January 2016, the Compensation Committee increased Mr. Rulli's base salary to \$450,000. The Compensation Committee approved this increase in light of Mr. Rulli's increased responsibilities following the reorganization of our operations in October 2015.

(5) For fiscal 2015, as President of the OpenEdge Business Unit, Mr. Rulli was subject to the OpenEdge Business Unit Bonus Plan. In July 2015, in connection with his promotion to Chief Operating Officer, Mr. Rulli's target bonus was increased to \$340,000. Based on the performance under the OpenEdge Business Unit Bonus Plan, Mr. Rulli earned 38% of his fiscal 2015 target bonus. In January 2016, Mr. Rulli's target bonus was increased to \$382,500. Represents the PSU portion of Mr. Rulli's new hire award. Mr. Rulli earned 84% of the annual PSUs based on

(6) company performance in fiscal 2015. Mr. Rulli did not receive an award of time-based RSUs in fiscal 2015 because he received time-based RSUs in September 2014 as part of his new hire award.

(7) Represents PSUs issued to our executive officers under our Long Term Incentive Plan with a grant date value of two-times base salary and subject to three-year relative total shareholder return performance measures. Mr. Rulli did not receive a PSU award under our Long Term Incentive Plan in fiscal 2014 because he did not join our company until September 2014.

Matthew Robinson, Chief Technology Officer

	Fiscal 2014 Pay \$(1)		Fiscal 2015 Pay \$(4)		Change
Target Cash Compensation	341,600		487,500		43%
Base Salary	244,000		325,000		33%
Target Bonus	97,600	(2)	162,500	(5)	66%
Target Equity Compensation	140,000		1,100,000		786%
Target Annual Equity	140,000	(3)	450,000	(6)	320%
Target Long-Term Equity	—		650,000	(7)	N/A
Total Target Compensation	481,600		1,587,500		330%

(1) Mr. Robinson was not an executive officer in fiscal 2014. In fiscal 2014, Mr. Robinson was Vice President, Technology within the AD&D Business Unit.

(2) Represents cash payable upon achievement of target performance under our Corporate Bonus Plan.

50% of Mr. Robinson's fiscal 2014 annual equity award was in the form of PSUs and 50% in the form of

(3) time-based RSUs. Mr. Robinson did not earn any of the annual PSUs based on company performance in fiscal 2014.

In May 2015, Mr. Robinson was promoted to Chief Technology Officer and became an executive officer. In connection with his promotion, we evaluated Mr. Robinson's fiscal 2015 total target compensation against our

(4) compensation peer group, as to individual elements and as to total compensation to determine whether any changes should be made to his fiscal 2015 total target compensation. The changes to the individual elements of Mr.

Robinson's fiscal 2015 compensation shown in this column reflect this comparison as well as the increased responsibilities Mr. Robinson assumed as Chief Technology Officer and internal pay equity considerations.

For fiscal 2015, Mr. Robinson was subject to the AD&D Business Unit Bonus Plan until his promotion to Chief Technology Officer, at which time he became subject to the Corporate Bonus Plan. Mr. Robinson earned 13% of

(5) his target bonus based on business unit performance under the AD&D Business Unit Bonus Plan. Mr. Robinson did not receive any portion of his annual bonus under the Corporate Business Plan. Mr. Robinson was awarded a discretionary cash bonus of \$84,890 for fiscal 2015.

Mr. Robinson received an annual equity award in January 2015 prior to his promotion to Chief Technology consisting of 50% PSUs and 50% time-based RSUs. The PSUs awarded in January 2015 were subject to the same

(6) performance measures as our Corporate Bonus Plan. In connection with his promotion to Chief Technology Officer, Mr. Robinson received an additional annual equity award consisting of 60% PSUs and 40% time-based RSUs. These PSUs were subject to the same earnings per share performance measures as applicable to other named executive officers. Mr. Robinson earned 70% of the annual PSUs based on company performance in fiscal 2015.

Represents PSUs issued to our executive officers under our Long Term Incentive Plan with a grant date value of two-times base salary and subject to three-year relative total shareholder return performance measures. Mr.

(7) Robinson was not eligible to receive an award of PSUs under the Long Term Incentive Plan in fiscal 2014 because he was not an executive officer at that time.

Michael Benedict, Chief Product Officer

	Fiscal 2014 Pay (\$)		Fiscal 2015 Pay \$(4)		Change
Target Cash Compensation	400,000		410,000		up 3%
Base Salary	260,000		270,000	(5)	up 4%
Target Bonus	140,000	(1)	140,000	(6)	—
Target Equity Compensation	840,000		890,000		up 6%
Target Annual Equity	320,000	(2)	350,000	(7)	up 17%
Target Long-Term Equity	520,000	(3)	540,000	(3)	—
Total Target Compensation	1,240,000		1,300,000		up 5%

- (1) Represents cash payable upon achievement of target performance under our Corporate Bonus Plan. Based on company performance, Mr. Benedict earned no bonus in fiscal 2014.
- (2) 50% of Mr. Benedict's fiscal 2014 annual equity award was in the form of PSUs and 50% in the form of time-based RSUs. Mr. Benedict did not earn any of the annual PSUs based on company performance in fiscal 2014.
- (3) Represents PSUs issued to our executive officers under our Long Term Incentive Plan with a value of two-times base salary and subject to three-year relative total shareholder return performance measures. In September 2014, Mr. Benedict became President, DCI Business Unit. We evaluated Mr. Benedict's fiscal 2015 total target compensation against our compensation peer group, as to individual elements and as to total compensation to determine whether any changes should be made to his fiscal 2015 total target compensation. The changes to the individual elements of Mr. Benedict's fiscal 2015 compensation shown in this column reflect this comparison as well as the increased responsibilities Mr. Benedict assumed as Business Unit President and internal pay equity considerations.
- (4) In January 2015, the Compensation Committee increased Mr. Benedict's base salary from \$260,000 to \$270,000 to reflect market competitive levels. In January 2016, the Compensation Committee increased Mr. Benedict's base salary to \$310,000. The
- (5)

Compensation Committee approved this increase in light of Mr. Benedict's increased responsibilities as a result of his promotion to Chief Product Officer in October 2015.

For fiscal 2015, as President of the DCI Business Unit, Mr. Benedict was subject to the DCI Business Unit Bonus (6) Plan. Based on business unit performance under the DCI Business Unit Bonus Plan, Mr. Benedict earned 79% of his fiscal 2015 target bonus. In January 2016, Mr. Benedict's target bonus was increased to \$155,000.

(7) 60% of Mr. Benedict's fiscal 2015 annual equity award was in the form PSUs and 40% in the form of time-based RSUs. Mr. Benedict earned 84% of the annual PSUs based on company performance in fiscal 2015.

Karen Tegan Padir, Former President, AD&D Business Unit

	Fiscal 2014 Pay (\$)		Fiscal 2015 Pay (\$)(4)		Change
Target Cash Compensation	495,000		495,000		—
Base Salary	330,000		330,000		—
Target Bonus	165,000	(1)	165,000	(5)	—
Target Equity Compensation	900,000		1,100,000		up 22%
Target Annual Equity	240,000	(2)	450,000	(6)	up 88%
Target Long-Term Equity	660,000	(3)	660,000	(3)	—
Total Target Compensation	1,395,000		1,605,000		up 16%

(1) Represents cash payable upon achievement of target performance under our Corporate Bonus Plan. Based on company performance, Ms. Padir earned no bonus in fiscal 2014.

(2) 50% of Ms. Padir's fiscal 2014 annual equity award was in the form of PSUs and 50% in the form of time-based RSUs. Ms. Padir did not earn any of the annual PSUs based on company performance in fiscal 2014.

(3) Represents PSUs issued to our executive officers under our Long Term Incentive Plan with a grant date value of two-times base salary and subject to three-year relative total shareholder return performance measures. In October 2015, Ms. Padir's employment terminated and, as a result, all of the PSUs issued under the Long Term Incentive Plan to Ms. Padir were canceled.

(4) In September 2014, Ms. Padir became President, AD&D Business Unit. We evaluated Ms. Padir's fiscal 2015 total target compensation against our compensation peer group, as to individual elements and as to total compensation to determine whether any changes should be made to her fiscal 2015 total target compensation. We determined that her target cash compensation was in line with the market data. However, we increased her target equity compensation to reflect the market data comparison as well as the increased responsibilities Ms. Padir assumed as Business Unit President and internal pay equity considerations.

(5) For fiscal 2015, as President of the AD&D Business Unit, Ms. Padir was subject to the AD&D Business Unit Bonus Plan. Based on business unit performance under the AD&D Business Unit Bonus Plan, Ms. Padir earned 29% of her fiscal 2015 target bonus.

(6) 60% of Ms. Padir's fiscal 2015 annual equity award was in the form PSUs and 40% in the form of time-based RSUs. Ms. Padir's employment terminated in October 2015 and, as a result, she did not earn any PSUs based on company performance in fiscal 2015.

Cash Incentive Compensation

Annual Cash Bonus

It is our philosophy to base a significant portion of each executive officer's total compensation opportunity on performance incentives. Our annual bonus plans are intended to motivate eligible participants toward overall business results, to tie their goals and interests to those of the company and its stockholders, and to enable the company to attract and retain highly qualified executives. These bonus plans are administered by our Compensation Committee. The Compensation Committee sets the target annual cash incentive opportunity for fiscal 2015 (expressed as a percentage of base salary earned during the year) for each named executive officer in January 2015. In setting the target levels, the Compensation Committee considered each named executive officer's fiscal 2015 target total cash opportunity against the peer group data provided by our independent compensation consultant, internal pay equity and

the roles and responsibilities of the named executive officers. The Compensation Committee set the fiscal 2015 cash bonus targets for each of the named executive officers at the same percentage as their target opportunities in fiscal 2014 except with respect to Mr. Robinson, whose fiscal 2015 cash bonus target was increased to 50% of his base salary in connection with his promotion to Chief Technology Officer. The Compensation Committee believes that the target annual cash bonus opportunity should make up a larger portion of an executive officer's total target cash compensation as the executive's level of responsibility increases.

2015 Plan Design

In January 2015, the Compensation Committee approved the 2015 Corporate Bonus Plan and the Business Unit Bonus Plans. In fiscal 2015, Mr. Pead, Mr. Perkins and, following his appointment as Chief Technology Officer, Mr. Robinson, participated in our Corporate Bonus Plan. For fiscal 2015, personnel within our general and administrative

functions (finance, legal, human capital and information technology) and corporate marketing participated in the Corporate Bonus Plan.

In fiscal 2015, Mr. Rulli, Mr. Benedict and Ms. Padir participated in Business Unit Bonus Plans, which tied participants' annual cash bonus to both business unit and corporate objectives. For fiscal 2015, personnel within our product management, product marketing, and development functions participated in the applicable Business Unit Bonus Plan. By tying a significant portion of participants' cash bonus to business unit objectives, this supported our goals in implementing our new organizational structure and ensured that personnel within each business unit were properly incentivized to drive performance within his/her business unit.

Consistent with prior years, the Compensation Committee adopted two plan metrics for the bonus plans, both of which would be utilized to determine funding and payout under the cash bonus plans. These two plan metrics were total non-GAAP corporate revenue and total adjusted non-GAAP operating income, with total non-GAAP corporate revenue being weighted 60% and total non-GAAP operating income weighted 40%. Each metric was measured separately and not impacted by performance with respect to the other metric. The performance measures selected for our cash bonus plans were designed to support our goals of expanding our non-GAAP operating income and achieving meaningful growth in total revenue, both of which would result in increased stockholder value.

For participants' subject to a Business Unit Bonus Plan, such as Mr. Rulli, Mr. Benedict, and Ms. Padir, 50% of his or her bonus was tied to the corporate objectives of the Corporate Bonus Plan, and 50% was tied to non-GAAP revenue and operating margin metrics relating exclusively to the applicable business unit, with business unit non-GAAP revenue being weighted 60% and business unit operating margin weighted 40%.

Non-GAAP revenue differs from revenue determined under GAAP by including acquisition-related revenue, which constitutes revenue reflected as pre-acquisition deferred revenue by Telerik that would otherwise have been recognized but for the purchase accounting treatment of the acquisition of Telerik. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Non-GAAP operating income differs from operating income determined under GAAP by excluding amortization of acquired intangibles, stock-based compensation, restructuring and transition expense and acquisition-related expenses. We use non-GAAP measures to make operational and investment decisions because we believe the costs and expenses that we exclude from GAAP operating income are not tied to our core results. For these reasons, we use non-GAAP operating income as a performance goal.

For 2015, the Compensation Committee determined that, for purposes of earning any award under the Corporate and Business Unit Bonus Plans, it was necessary to achieve threshold total non-GAAP revenue and total non-GAAP operating income goals in excess of 95% of the corresponding goals in our 2015 operating plan and budget at both the corporate and business unit level. If the threshold goals were not achieved, none of the participants in the Corporate and Business Unit Bonus Plans would be eligible to earn any annual cash award. The steep entry point under the Corporate and Business Unit Bonus Plans were designed to ensure that no bonus would be earned if we did not exceed the total revenue and total non-GAAP operating income results achieved in 2014. Similarly, the slope of the targets was set such that our named executive officers could earn significantly higher than target bonuses for performance that exceeded our 2015 operating plan and budget although the maximum payout was capped at 150% of the target. The targets established with respect to the total revenue goal reflected the challenge we faced in growing our core revenues while implementing a new strategy. The targets established with respect to the non-GAAP operating income metric were consistent with maintaining the strong operating margins we established in fiscal 2013.

Corporate Bonus Plan Criteria and Achievement

As shown in the table below, no portion of the annual bonus under the Corporate Bonus Plan would be earned by the named executive officers unless the threshold of \$421 million in total non-GAAP revenue and \$133 million in total non-GAAP operating income were achieved, at which point 50% of the bonus would be earned. Thereafter, up to the remaining 50% of the bonus could be earned based on the extent to which revenue between the threshold of \$421 million and the target of \$437 million and operating income between the threshold of \$133 million and the target of \$140 million were achieved. Additional amounts could be earned to the extent of overachievement, subject to the cap of 150% of target.

In September 2015, we lowered our revenue expectations for fiscal 2015 from our original fiscal 2015 budget and operating plan. As a result, our revised revenue outlook was below the threshold level of achievement under our fiscal 2015 Corporate Bonus Plan, meaning that participants would not earn any portion of their target bonus under the plan if we met our revised revenue outlook. In September 2015, at management's recommendation, the Compensation Committee modified the Corporate Bonus Plan to lower the threshold level of performance to 40% (from 50%) to reflect the revised revenue outlook for fiscal 2015. This decision was made to lessen the adverse retention impact of our performance under the corporate business plan with respect to employees below the executive officer level. Accordingly, the Compensation Committee determined that this reduction in the threshold level of performance would not apply to Mr. Pead, Mr. Perkins or

any of our other executive officers whose bonus was tied exclusively to the Corporate Bonus Plan.

2015 Annual Bonus Plan Criteria and Achievement (applicable to Named Executive Officers)

Metric	Threshold (50%)	Target (100%)	Maximum (150%)	Actual Achievement	Funding Percentage
Non-GAAP Corp. Revenue (1)	\$421 million	\$437 million	\$453 million	\$420 million	0%
Non-GAAP Operating Income (1)	\$133 million	\$140 million	\$150 million	\$132 million	0%

(1) Targets and actual achievement figures shown in the table above are based on budgeted exchange rates. For purposes of computing Non-GAAP Operating Income, bonus expense is added back to the Threshold, Target, Maximum, and Actual achievement amounts.

As shown in the table above, because we did not achieve at least threshold performance under either metric, no bonuses were earned or paid under the 2015 Corporate Bonus Plan to Mr. Pead, Mr. Perkins or any of our other executive offices subject to the Corporate Bonus Plan. Mr. Pead and Mr. Perkins also did not receive any portion of their target bonuses in fiscal 2014.

Business Unit Bonus Plan Criteria and Achievement

The tables below show the targets, slopes and achievement under the three Business Unit Bonus Plans and achievement with respect to the corporate objectives. The Compensation Committee did not reduce the threshold level of performance under the Business Unit Bonus Plans although it did apply the reduction for purposes of determining the funding percentage applicable to the corporate objectives under each Business Unit Bonus Plan.

Corporate Measures (applicable to Business Unit Plan Participants)

Metric	Threshold (40%)	Target (100%)	Maximum (150%)	Actual Achievement	Funding Percentage
Non-GAAP Corp. Revenue (1)	\$417 million	\$437 million	\$453 million	\$420 million	47%
Non-GAAP Operating Income (1)	\$130 million	\$140 million	\$150 million	\$132 million	49%
Corporate Measures Achievement Percentage					48%

(1) Targets and actual achievement figures shown in the table above are based on budgeted exchange rates. For purposes of computing Non-GAAP Operating Income, bonus expense is added back to the Threshold, Target, Maximum, and Actual achievement amounts.

2015 OpenEdge Business Unit Criteria and Achievement

Metric	Weight Factor	Threshold (50%)	Target (100%)	Maximum (150%)	Actual Achievement	Funding Percentage
Non-GAAP Revenue (1)	30%	\$304 million	\$314 million	\$324 million	\$303 million	0%
Operating Margin (1)	20%	\$224 million	\$230 million	\$243 million	\$225 million	58%
Corporate Measures	50%					48%
OpenEdge Business Unit Achievement Percentage						38%

(1) Targets and actual achievement figures shown in the table above are based on budgeted exchange rates.

2015 DCI Business Unit Criteria and Achievement

Metric	Weight Factor	Threshold (50%)	Target (100%)	Maximum (150%)	Actual Achievement	Funding Percentage
Revenue (1)	30%	\$36 million	\$38 million	\$43 million	\$38 million	108%
Operating Margin (1)	20%					