

PROGRESS SOFTWARE CORP /MA
Form DEF 14A
March 26, 2010

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

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (Amendment No.)**

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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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 April 27, 2010, 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 six directors nominated by the Board of Directors;
- (2)

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To approve an amendment to the Progress Software Corporation 2008 Stock Option and Incentive Plan to increase the maximum number of shares that may be issued under that plan by 6,000,000 shares;

- (3) To approve an amendment to the Progress Software Corporation 1991 Employee Stock Purchase Plan, as amended, to increase the maximum number of shares that may be issued under that plan by 400,000 shares;
- (4) To ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2010; and
- (5) To transact any other business as may properly come before the annual meeting and any adjournment or postponement of that meeting.

Proposal 1 relates solely to the election of six directors nominated by our Board of Directors and does not include any other matters relating to the election of directors, including, without limitation, the election of directors nominated by any shareholder.

Our Board of Directors has fixed the close of business on February 26, 2010 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 that meeting.

By Order of the Board of Directors,

James D. Freedman
Secretary

March 26, 2010

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 2010 Annual Meeting of Shareholders to be held on April 27, 2010, 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 accompanying form of proxy will first be mailed to shareholders on or about March 26, 2010.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on April 27, 2010:

This proxy statement and our 2009 Annual Report to shareholders 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 six directors nominated by the Board of Directors;
2. To approve an amendment to the Progress Software Corporation 2008 Stock Option and Incentive Plan to increase the maximum number of shares that may be issued under that plan by 6,000,000 shares;
3. To approve an amendment to the Progress Software Corporation 1991 Employee Stock Purchase Plan, as amended, to increase the maximum number of shares that may be issued under that plan by 400,000 shares;
4. To ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2010; and
5. To transact such other business as may properly come before the annual meeting and any adjournment or postponement of that meeting.

You may obtain directions to the location of the annual meeting by visiting our website at www.progress.com.

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, including the election of directors, an amendment to our principal stock option plan, an amendment to our employee stock purchase plan and ratification of the appointment of our independent registered public accounting firm.

Who can attend the meeting?

All shareholders as of the close of business on February 26, 2010, 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 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 41,236,576 shares of our common stock outstanding on the record date.

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 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 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 20,618,289 shares, which is a simple majority of the 41,236,576 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.

If you are a beneficial owner, your broker will vote your shares pursuant to your instructions, and those shares will count in the determination of a quorum. If you do not vote via proxy card or provide any instructions to your broker, your shares will still count for purposes of attaining a quorum and your broker may vote your shares in its discretion on proposal 4.

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.

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 are the recommendations of our Board of Directors?

Our Board of Directors recommends that you vote:

for the election of the slate of directors nominated by our Board of Directors (see proposal 1);

for approval of the amendment to the 2008 Stock Option and Incentive Plan to increase the number of authorized shares by 6,000,000 shares (see proposal 2);

for approval of the amendment to the 1991 Employee Stock Purchase Plan to increase the number of authorized shares by 400,000 shares (see proposal 3); and

for ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2010 (see proposal 4).

What vote is required to approve each proposal?

Election of Directors

Directors are elected by a plurality of votes cast. This means that the six directors receiving the most votes cast at the meeting will be elected to serve for the next year. Only votes cast *for* are counted in determining whether a plurality has been cast in favor of a director. A properly executed proxy marked *withhold authority* with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Broker non-votes, while included for purposes of attaining a quorum, will have no effect on the vote on this proposal.

All Other Proposals

For each other proposal, the proposal will be approved if the votes cast favoring the action exceed the votes cast opposing the action. Abstention and broker non-votes will have no effect on the vote on the approval of that proposal.

Street Name Shares and Broker Non-Votes

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. Broker non-votes are shares as to which a broker or nominee does not vote, or has indicated that it does not have discretionary authority to vote. 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 an amendment to the 2008 Stock Option and Incentive Plan, or proposal 3, the approval of an amendment to our employee stock purchase plan, and such broker non-vote will not be counted in

determining the total number of shares necessary for approval of those proposals and will therefore have no effect on those proposals.

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 will publish the results by filing a current report on Form 8-K within four business days of the annual meeting.

PROPOSAL 1: ELECTION OF DIRECTOR NOMINEES

The number of directors on our Board of Directors is fixed from time to time by our shareholders and may be enlarged or reduced by vote of a majority of our Board of Directors. Currently our Board of Directors is comprised of six members. Our Board of Directors has nominated for election as directors Barry N. Bycoff, Ram Gupta, Charles F. Kane, David A. Krall, Michael L. Mark and Richard D. Reidy, 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 should become unwilling or unable to 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.

Our Board of Directors recommends that you vote FOR the election of the following six individuals as directors: Barry N. Bycoff, Ram Gupta, Charles F. Kane, David A. Krall, Michael L. Mark and Richard D. Reidy.

DIRECTORS

The following table sets forth the director nominees, their ages, and the positions currently held by each person with our company.

Name	Age	Position
Barry N. Bycoff	61	Executive Chairman
Ram Gupta(1)(2)(3)	47	Director
Charles F. Kane(1)(2)	52	Director
David A. Krall(2)(3)	49	Director
Michael L. Mark(1)(3)	64	Lead Independent Director
Richard D. Reidy	50	President and Chief Executive Officer

(1) Member of Audit Committee

(2) Member of Nominating and Corporate Governance Committee

(3) Member of Compensation Committee

Mr. Bycoff became our Executive Chairman in March 2009 and has been a director since March 2007. From May 2005 to July 2007, Mr. Bycoff was a venture partner of Pequot Ventures, the venture capital arm of Pequot Capital Management, Inc., and from July 1996 to November 2004, Mr. Bycoff was Chairman and CEO of Netegrity, Inc.

Mr. Gupta has been a director since May 2008. From August 2000 to October 2004, Mr. Gupta was Executive Vice President, Peoplesoft Inc., and from November 2005 to May 2007, Mr. Gupta was President and Chief Executive Officer of CAST Iron Systems, Inc. Mr. Gupta is currently a private investor. Mr. Gupta also is a director of S1 Corp.

Mr. Kane has been a director since November 2006. Mr. Kane is currently President and Chief Operating Officer of One Laptop Per Child. From May 2006 to October 2006, Mr. Kane was Chief Financial Officer of RSA Security Inc., and from July 2002 to May 2006, was Chief Financial Officer of Aspen Technology, Inc. Mr. Kane also is a director of Netezza Corporation.

Mr. Krall has been a director since February 2008. Mr. Krall is currently President and Chief Operating Officer of Roku, Inc., which he joined in February 2010. Prior to that time, Mr. Krall was President and Chief Executive Officer and a member of the Board of Directors of QSecure, Inc. From 2000 to 2007, Mr. Krall was President, Chief Executive Officer and a member of the Board of Directors of Avid Technology, Inc.

Mr. Mark was appointed Lead Independent Director in March 2009 and has been a director since July 1987. From December 2006 until March 2009, Mr. Mark was Chairman of the Board. Mr. Mark is a private investor.

Mr. Reidy became our President and Chief Executive Officer in March 2009. Prior to that time, Mr. Reidy was our Chief Operating Officer, a position he had held since September 2008. From December 2007 until September 2008, Mr. Reidy was Executive Vice President, and from 2004 until December 2007, was President, DataDirect

Technologies Division. Mr. Reidy joined us in 1985 and has been a director since May 2009.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors

Our Board of Directors met eight times during the fiscal year ended November 30, 2009. Each of the 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 year 2009. Our Board of Directors has standing Audit, Compensation, and Nominating and Corporate Governance Committees.

Audit Committee

The Audit Committee of our Board of Directors during fiscal year 2009 consisted of Messrs. Gupta (from March 2009), Kane and Mark, with Mr. Kane serving as Chairman. In connection with his appointment as Executive Chairman in March 2009, Mr. Bycoff resigned as a member of the Audit Committee in order to ensure that the independence requirements of the Securities and Exchange Commission, or SEC, and The NASDAQ Stock Market LLC, or NASDAQ, continue to be met.

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. 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 met eight times during fiscal year 2009.

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 Corporate Governance page. As described more fully in its charter, the Audit Committee oversees our accounting and financial reporting processes, internal controls and audit functions.

For fiscal year 2009, 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 such risks; and

- reviewed with management various matters related to our internal controls.

Compensation Committee

The Compensation Committee of our Board of Directors during fiscal year 2009 consisted of Messrs. Krall, Gupta and Mark (from March 2009), with Mr. Krall serving as Chairman (from May 2009). Roger Heinen, who did not stand for re-election at the 2009 annual meeting of shareholders, served as Chairman of the Compensation Committee until May 2009.

Our Board of Directors has determined that each member of the Compensation Committee meets the independence requirements promulgated by NASDAQ. The Compensation Committee met ten times during fiscal year 2009. 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 Corporate Governance page.

In accordance with its charter, the Compensation Committee:

oversees our overall compensation structure, policies and programs;

administers our stock option and other equity-based plans;

reviews, and recommends to our Board of Directors for its approval, the compensation of our Chief Executive Officer;

reviews and determines the compensation of all executive officers (as defined in Section 16 of the Exchange Act) of our company other than the Chief Executive Officer;

reviews and makes recommendations to our Board of Directors regarding the compensation of our directors; and

is responsible for producing the annual report included in this proxy statement.

Our Chief Executive Officer, our other executives, and our human resources department support the Compensation Committee in its duties and may be delegated authority to fulfill certain administrative duties regarding our compensation programs. In addition, our Chief Executive Officer makes recommendations to the Compensation Committee on an annual basis regarding salary increases, potential bonuses, and equity awards for each of our other executive officers.

The Compensation Committee has sole authority under its charter to retain, approve fees for, determine the scope of the assignment of, and terminate advisors and consultants as it deems necessary to assist in the fulfillment of its responsibilities. In fiscal year 2009, the Compensation Committee retained Radford Surveys + Consulting, or Radford, to assist it in evaluating the compensation of our officers and directors. Please read the **COMPENSATION DISCUSSION AND ANALYSIS** included in this proxy statement for additional information on the role of Radford in the executive compensation process.

At the beginning of each fiscal year, the Compensation Committee begins the process of reviewing executive officer and board compensation for the coming fiscal year. The Compensation Committee members are provided reports from the external compensation consultant comparing our executive compensation and equity granting practices relative to the market and to a peer group. Reports are also provided on board of director compensation relative to the market and a peer group.

During the first quarter of each fiscal year, the Compensation Committee reviews recommendations from management on the current fiscal year short-term incentive programs relative to anticipated corporate performance. In March, the Compensation Committee reviews and approves changes to executive officers' total target cash compensation, which includes base salary and target incentive compensation.

Prior to the annual meeting of shareholders for each fiscal year, the Compensation Committee also reviews and makes recommendations to the full Board of Directors regarding any changes to Board compensation.

At the end of the fiscal year, the Compensation Committee reviews preliminary results of the short term incentive programs, 401(k) match and 401(k) cash bonus in excess of federal limits. Final review and approval of these programs and costs are completed early in the following fiscal year prior to any payments.

In accordance with our Stock Option Grant Policy, the Compensation Committee meets four times a year to review and approve stock option grant and other equity award requests.

Communication with Compensation Committee members is accomplished through committee meetings, teleconference calls or email. Members of management and/or the external compensation consultants participate in these various communication methods and attend meetings or conference calls at the invitation of the Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of our Board of Directors during fiscal year 2009 consisted of Messrs. Gupta, Kane (from March 2009) and Krall (from March 2009), with Mr. Gupta serving as Chairman (from March 2009). In connection with his appointment as Executive Chairman in March 2009, Mr. Bycoff resigned as Chairman of the Nominating and Corporate Governance Committee in order to ensure that the independence requirements of NASDAQ continue to be met. Mr. Heinen, who did not stand for re-election at the 2009 annual meeting of shareholders, served on the Nominating and Corporate Governance Committee until May 2009.

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 met once during fiscal year 2009. 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 Corporate Governance 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; and

- assists in developing and implementing our Corporate Governance Guidelines.

Our Board of Directors, led by the Nominating and Corporate Governance Committee, develops and reviews succession plans for our senior management, including the Chief Executive Officer.

A copy of our Corporate Governance Guidelines can be found on our website at www.progress.com under the Corporate Governance page.

Director Compensation

For fiscal year 2009, the non-employee directors of our company were paid an annual retainer of \$225,000. In addition, prior to the appointment of Mr. Bycoff as Executive Chairman, the Chairman of the Board received a pro-rated fee of \$25,000 for serving in that capacity. 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 \$15,000 for the Chairman and \$12,500 for the other members;

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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.

Employee directors of our company receive no compensation for serving as a director, except that all directors, including employee directors, are eligible to be reimbursed for expenses incurred in attending board or committee meetings. No additional fee is paid to the Lead Independent Director in connection with his serving in that capacity.

The annual retainer is paid one third in cash and two-thirds in equity (with 50% in the form of fully vested shares of common stock and 50% in the form of fully vested stock options). The number of option shares is determined by dividing the compensation amount by the grant date Black Scholes value. The number of shares of common stock is determined by dividing the compensation amount by the grant date closing price of our common stock as reported by NASDAQ. The fees paid with respect to service on the committees of our Board of Directors are paid in cash.

The fiscal year 2009 compensation was paid to our non-employee directors in two installments, coincident with the May and October dates upon which we made our broad-based employee equity grants.

In April 2009, we adopted revised stock retention guidelines for our non-employee directors. These guidelines provide for all non-employee directors to hold at least 10,000 shares of our common stock and/or deferred stock units. Directors have five years to attain this ownership threshold.

DIRECTOR COMPENSATION TABLE FISCAL YEAR 2009

The following table sets forth a summary of the compensation earned by or paid to our non-employee directors in fiscal year 2009.

Name	Fees Earned or Paid in Cash	Stock Awards (1)(2)	Option Awards (3)(4)	Total
Barry N. Bycoff(5)	\$ 42,500	\$ 25,000	\$ 54,939	\$ 122,439
Ram Gupta	124,167	75,000	104,252	303,419
Roger J. Heinen, Jr.(6)	59,583	37,500	37,420	134,503
Charles F. Kane	106,667	75,000	128,650	310,317
David A. Krall	99,167	75,000	121,214	295,381
Michael L. Mark	115,000	75,000	75,028	265,028

(1) Represents fully vested shares of common stock issued to the named directors in the following amounts:

Name	Total Full Value Shares Granted in Fiscal Year 2009
Mr. Bycoff	1,136
Mr. Gupta	3,273
Mr. Heinen	1,704
Mr. Kane	3,273
Mr. Krall	3,273

Mr. Mark

3,273

- (2) The amounts listed reflect the dollar amount recognized for financial statement reporting purposes and represent the grant date fair value which is determined by multiplying the number of shares granted by the closing price of our common stock on that date.
- (3) With the exception of ignoring the impact of estimated forfeitures, amounts listed reflect the dollar amount recognized for financial statement reporting purposes. Amounts include awards granted in and prior to fiscal year 2009. These amounts do not represent the actual amounts paid to or realized by the directors during fiscal

year 2009. The methodology and assumptions used to calculate the cost of each director's option grants for fiscal year 2009 are described in Note 8 of the consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended November 30, 2009.

(4) Amounts listed relate to the grant of stock options to the named directors as follows:

Mr. Bycoff was granted a fully vested option to purchase 3,776 shares of our common stock with an exercise price of \$22.01 on May 12, 2009. The aggregate grant date fair value of these options was \$24,997.

Mr. Gupta was granted a fully vested option to purchase 5,665 shares of our common stock with an exercise price of \$22.01 on May 12, 2009, and a fully vested option to purchase 5,137 shares of our common stock with an exercise price of \$23.90 on October 15, 2009. The aggregate grant date fair value of these options was \$75,002.

Mr. Heinen was granted a fully vested option to purchase 5,665 shares of our common stock with an exercise price of \$22.01 on May 12, 2009. The aggregate grant date fair value of these options was \$37,502.

Mr. Kane was granted a fully vested option to purchase 5,665 shares of our common stock with an exercise price of \$22.01 on May 12, 2009, and a fully vested option to purchase 5,137 shares of our common stock with an exercise price of \$23.90 on October 15, 2009. The aggregate grant date fair value of these options was \$75,002.

Mr. Krall was granted a fully vested option to purchase 5,665 shares of our common stock with an exercise price of \$22.01 on May 12, 2009, and a fully vested option to purchase 5,137 shares of our common stock with an exercise price of \$23.90 on October 15, 2009. The aggregate grant date fair value of these options was \$75,002.

Mr. Mark was granted a fully vested option to purchase 5,665 shares of our common stock with an exercise price of \$22.01 on May 12, 2009, and a fully vested option to purchase 5,137 shares of our common stock with an exercise price of \$23.90 on October 15, 2009. The aggregate grant date fair value of these options was \$75,002.

Each director had the following unexercised stock options outstanding at November 30, 2009:

Name	Unexercised Stock Options Outstanding at November 30, 2009
Mr. Bycoff	48,252
Mr. Gupta	47,469
Mr. Kane	55,333
Mr. Krall	49,747
Mr. Mark	129,590

(5) Mr. Bycoff was appointed Executive Chairman in March 2009. Following his appointment as Executive Chairman, Mr. Bycoff no longer received compensation as a non-employee director. The amounts listed for Mr. Bycoff do not include any compensation paid to Mr. Bycoff as Executive Chairman. For a discussion of Mr. Bycoff's compensation as Executive Chairman, see the section of this proxy statement entitled

COMPENSATION DISCUSSION AND ANALYSIS Executive Chairman Compensation. Prior to his appointment as Executive Chairman, Mr. Bycoff received compensation in connection with his service as Chairman of the Nominating and Corporate Governance Committee and as a member of the Audit Committee.

- (6) Mr. Heinen did not stand for re-election at our 2009 annual meeting of shareholders. Prior to his departure from our Board of Directors, Mr. Heinen received compensation in connection with his service as Chairman of the Compensation Committee and as a member of the Nominating and Corporate Governance Committee.

CORPORATE GOVERNANCE

Independence of Members of our Board of Directors

Our Board of Directors has determined that each of our non-employee directors (Messrs. Gupta, Kane, Krall and Mark) is 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 year 2009, and determined that none of our non-employee directors had a material interest in those transactions.

Executive Chairman

In March 2009, Mr. Bycoff was appointed to the newly-created position of Executive Chairman for a one-year term expiring at the annual meeting of shareholders to be held in 2010. In January 2010, we entered into an agreement with Mr. Bycoff pursuant to which the term was extended until the annual meeting of shareholders in 2011. As Executive Chairman, Mr. Bycoff provides advice to the Chief Executive Officer with a principal focus on strategic matters and consults in the annual performance evaluation of the Chief Executive Officer. Mr. Bycoff also works with the Lead Independent Director and the Chief Executive Officer to prepare Board of Directors meeting agendas, chairs meetings of the Board of Directors and reports on the overall progress of our company.

Lead Independent Director

In March 2009, Mr. Mark was appointed to the newly-created position of Lead Independent Director of our Board of Directors. Previously, Mr. Mark was Chairman of the Board. In the role of Lead Independent Director, Mr. Mark presides over meetings of the independent members of our Board of Directors. Mr. Mark also works with the Executive Chairman and the Chief Executive Officer to prepare Board of Directors meeting agendas.

Executive Sessions of Independent Directors

Executive sessions of the independent directors are held following regularly scheduled meetings of our Board of Directors. Executive sessions do not include the employee directors of our company, and the Lead Independent Director is responsible for chairing the executive sessions.

Policies Governing Director Nominations

Our Board of Directors delegates 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;

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.

In the case of incumbent directors, the Nominating and Corporate Governance Committee reviews each such director's overall past service to us, including the number of meetings attended, le