

PROGRESS SOFTWARE CORP /MA
Form 10-K
January 29, 2016

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

FORM 10-K

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)

04-2746201
(I.R.S. Employer
Identification No.)

14 Oak Park
Bedford, Massachusetts 01730
(Address of Principal Executive Offices)

Telephone Number: (781) 280-4000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock \$.01 par value	The NASDAQ 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 the Exchange Act.

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 January 20, 2016, there were 50,906,000 common shares outstanding.

Documents Incorporated By Reference

Portions of the definitive Proxy Statement in connection with the 2016 Annual Meeting of Shareholders are incorporated by reference into Part III.

PROGRESS SOFTWARE CORPORATION
 FORM 10-K
 FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015
 INDEX

PART I

Item 1.	<u>Business</u>	4
Item 1A.	<u>Risk Factors</u>	11
Item 1B.	<u>Unresolved Staff Comments</u>	16
Item 2.	<u>Properties</u>	16
Item 3.	<u>Legal Proceedings</u>	16
Item 4.	<u>Mine Safety Disclosures</u>	16

PART II

Item 5.	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	16
Item 6.	<u>Selected Financial Data</u>	18
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	41
Item 8.	<u>Financial Statements and Supplementary Data</u>	42
Item 9.	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	85
Item 9A.	<u>Controls and Procedures</u>	85
Item 9B.	<u>Other Information</u>	86

PART III

Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	87
Item 11.	<u>Executive Compensation</u>	89
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	89
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	89
Item 14.	<u>Principal Accounting Fees and Services</u>	89

PART IV

Item 15.	<u>Exhibits, Financial Statement Schedules</u>	90
	<u>Signatures</u>	93

CAUTIONARY STATEMENTS

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

PART I

Item 1. 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. Our solutions are used across a variety of industries.

Our products are generally sold as perpetual licenses, but certain products also use term licensing models and our cloud-based offerings use a subscription based model. More than half of our worldwide license revenue is realized through relationships with indirect channel partners, principally application partners and original equipment manufacturers (OEMs). Application partners are independent software vendors (ISVs) that develop and market applications using our technology and resell our products in conjunction with sales of their own products that incorporate our technology. OEMs are companies that embed our products into their own software products or devices.

We operate in North America and Latin America (the Americas); Europe, the Middle East and Africa (EMEA); and the Asia Pacific region, through local subsidiaries as well as independent distributors.

Fiscal Year 2015 Highlights

Telerik Acquisition

In December 2014, we acquired Telerik AD (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. Through this acquisition, 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.

Organizational Restructuring

In July 2015, Jerry Rulli, President of the OpenEdge Business Unit, became our Chief Operating Officer. In October 2015, we made changes to our operations 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 part of these organizational changes, we eliminated the role of Business Unit Presidents. In place of the Business Unit Presidents, we unified our product management and product marketing functions under a Chief Product Officer and named Michael Benedict, previously President of the Data Connectivity and Integration Business Segment, as Chief Product Officer. As Chief Product Officer, Benedict is responsible for product marketing and product management across our Application Development and Deployment, Data Connectivity and Integration, and OpenEdge Business Segments. The Chief Product Office works with product teams across our company to define our product roadmap, establish go-to-market initiatives and ensure seamless integration across our product portfolio toward delivering an optimal, cohesive customer experience. We

retained our business unit focus within the Chief Product Officer organization, with dedicated product teams for each business segment, each under the leadership of a general manager reporting directly to 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 Rulli. Our sales resources report directly into the company's geographic regions under Rulli, while retaining the dedicated business segment sales teams for each of the products.

Share Repurchase Authorization

In fiscal year 2015, we repurchased and retired 1.3 million shares of common stock for \$32.9 million under our 2014 share repurchase program, leaving \$14.5 million remaining under this program. In September 2015, our Board of Directors authorized a new \$100.0 million share repurchase program, which increased the total authorization to \$114.5 million.

New Credit Facility

In December 2014, we entered into a new \$300 million term and revolving credit facility with JPMorgan Chase Bank, N.A. and a syndicate of other lenders. This new credit facility replaced our prior \$150 million revolving credit facility. We used the \$150 million term loan to finance a portion of the Telerik acquisition.

Our Business Segments

OpenEdge Business Segment

The OpenEdge business segment drives growth within OpenEdge's large, diverse partner base by providing the product enhancements and marketing support these partners need to sell more of their existing solutions to their customers. The OpenEdge business segment is also focused on providing partners and direct end users with a clear path to develop and integrate cloud-based applications in the future. With an enhanced services organization bolstered by the October 2014 acquisition of BravePoint, we help partners and customers leverage their core assets and develop strategies that protect current investments, while addressing changing business requirements.

The solutions within the OpenEdge Business Segment include:

Progress OpenEdge

Progress OpenEdge is development software for building dynamic multi-language applications for secure deployment across any platform, any mobile device, and any cloud. OpenEdge provides a unified environment comprising development tools, application servers, application management tools, an embedded relational database management system, and the capability to connect and integrate with other applications and data sources independently or with other Progress products.

Progress Corticon

Progress Corticon is a Business Rules Management System (BRMS) that enables applications with decision automation, decision change process and decision-related insight capabilities. Corticon helps both business and IT users to quickly create or reuse business rules as well as create, improve, collaborate on, and maintain decision logic. Corticon is a market-leading platform for automating and executing business changes.

Data Connectivity and Integration Business Segment

The Data Connectivity and Integration Business Segment (DCI) is focused on the growth of our data assets, including the data integration components of our cloud offerings. Data is at the core of every application, and with the exponential growth in the number and volume of data sources, this business segment addresses the increasingly complex challenges that organizations have in accessing and integrating that data.

The solutions within the DCI Business Segment include:

Progress DataDirect Connect

Progress DataDirect Connect software provides data connectivity using industry-standard interfaces to connect applications running on various platforms to any major database, for both corporate IT organizations and software vendors. With software components embedded in the products of over 350 software companies and in the applications of thousands of large enterprises, the DataDirect Connect product set is a global leader in the data connectivity market. The primary products, in addition to other drivers we have developed, are ODBC drivers, JDBC drivers and ADO.NET providers. They provide the capability to connect and integrate with other applications and data sources independently or with our cloud-based offerings.

Progress DataDirect Cloud

Progress DataDirect Cloud is a software-as-a-service (SaaS) based connection management service that simplifies SQL access to a broad spectrum of cloud-based data sources through a single standards-based interface. The DataDirect Cloud service executes SQL queries against the appropriate cloud data source, managing all of the complexity, API's, and versioning for the host application. In addition to integrating with our other cloud-based offerings, it provides the capability to connect and integrate with other applications and data sources independently.

Application Development and Deployment Business Segment

The Application Development and Deployment (AppDev) business segment is focused on generating net new customers of our application development assets, including our cloud-based offerings and the products and solutions we acquired from Telerik. This business segment has the focus and agility of a start-up, able to react quickly to changes in this rapidly-evolving market. Having a team solely focused on this market enables us to rapidly meet the demands of developers who are seeking to increase their productivity and move toward the cloud.

The solutions within the AppDev Business Segment include:

Telerik Dev Tools

Telerik Dev Tools is a cross-platform, user experience design, quality assurance, debugging and reporting suite for next generation web, mobile, desktop and HTML5 applications. Utilizing Telerik's Dev Tools enables developers to focus on business logic and not infrastructure. Included in the Telerik Dev Tools are Telerik Fiddler and Kendo UI.

Telerik Dev Cloud

Telerik Dev Cloud is a cloud-based application design, deployment, hosting and testing suite featuring hybrid application development environment, backend as a service, analytics and mobile testing.

Telerik Platform

The Telerik Platform is a complete end-to-end application lifecycle solution that combines Telerik's Dev Tools, Dev Cloud and ALM products into an integrated platform for mobile application development using any approach (web, hybrid and native).

Telerik ALM

Telerik ALM is an application lifecycle management suite for testing web, mobile and desktop applications that covers the process from idea to deployment. The principal product that makes up Telerik ALM is Telerik Test Studio.

Telerik Sitefinity

Telerik Sitefinity is a next-generation web content management and customer analytics platform for managing and optimizing digital experiences. Telerik Sitefinity combines superior end-user experience with high level of customization capabilities for developers.

Progress Rollbase

Progress Rollbase is application development software that allows rapid creation of SaaS business applications using point & click, drag & drop tools in a standard web browser with a minimal amount of code. Progress Rollbase applications can be deployed in any cloud or on-premise infrastructure.

Modulus

Modulus is a control platform for running Node.js applications, one of the most productive control platform languages available today. The Modulus Node.js and MongoDB cloud platform is designed to simplify and speed development of the new generation of scalable, always connected business and consumer applications that are constantly monitored and optimized for the best experience.

Product Development

Most of our products have been developed by our internal product development staff or the internal staffs of acquired companies. We believe that the features and performance of our products are competitive with those of other available development and deployment tools and that none of the current versions of our products are approaching obsolescence. However, we believe that significant investments in new product development and continuing enhancements of our current products will be required for us to maintain our competitive position.

As of November 30, 2015, we have four primary development offices in North America, two primary development offices in EMEA and one primary development office in India. We spent \$88.3 million, \$63.1 million, and \$58.2 million in fiscal years 2015, 2014 and 2013, respectively, on product development, including capitalized software development costs.

Customers

We market our products globally through several channels: directly to end-users and indirectly to application partners (or ISVs), OEMs, and system integrators. Sales of our solutions and products through our direct sales force have historically been to business managers or IT managers in corporations and governmental agencies. For sales of the solutions within our AppDev business segment, we principally target developers who create business applications, from individuals to teams, within enterprises of all sizes.

We also market our products through indirect channels, primarily application partners and OEMs who embed our products as part of an integrated solution. We use international distributors in certain locations where we do not have a direct presence or where it is more economically feasible for us to do so.

More than half of our license revenues are derived from indirect channels. No single customer has accounted for more than 10% of our total revenue in any of our last three fiscal years.

Application Partners

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

under a SaaS platform.

Original Equipment Manufacturers

We enter into arrangements with OEMs whereby the OEM embeds our products into its solutions, typically either software or technology devices. OEMs typically license the right to embed our products into their solutions and distribute such solutions for initial terms ranging from one to three years. Historically, a significant portion of our OEMs have renewed their agreements upon the expiration of the initial term. However, we are not assured that they will continue to renew in the future.

7

Sales and Marketing

We sell our products and solutions through our direct sales force and indirect channel partners. We have sold our products and solutions to enterprises in over 180 countries. Our sales and field marketing groups are organized by business segment and secondarily by region. We operate by region in North America, Latin America, EMEA and Asia Pacific. We believe this structure allows us to maintain direct contact with our customers and support their diverse market requirements. Our international operations provide focused local sales, support and marketing efforts and are able to respond directly to changes in local conditions.

In addition to our direct sales efforts, we distribute our products through systems integrators, resellers, distributors, and OEM partners in the United States and internationally. Systems integrators typically have expertise in vertical or functional markets. In some cases, they resell our products, bundling them with their broader service offerings. In other cases, they refer sales opportunities to our direct sales force for our products. Distributors sublicense our products and provide service and support within their territories. OEMs embed portions of our technology in their product offerings.

Sales personnel are responsible for developing new direct end-user accounts, recruiting new indirect channel partners and new independent distributors, managing existing channel partner relationships and servicing existing customers. We actively seek to avoid conflict between the sales efforts of our application partners and our own direct sales efforts. We use our inside sales team to enhance our direct sales efforts and to generate new business and follow-on business from existing customers.

Our marketing personnel conduct a variety of marketing engagement programs designed to create demand for our products, enhance the market readiness of our products, raise the general awareness of our company and our products and solutions, generate leads for the sales organization and promote our various products. These programs include press relations, analyst relations, investor relations, digital/web marketing, marketing communications, participation in trade shows and industry conferences, and production of sales and marketing literature. We also hold global events, as well as regional user events in various locations throughout the world.

Our sales and marketing efforts with respect to the solutions within our Application Development and Deployment business segment differ from our traditional sales and marketing efforts because the target markets are different. For the products in our AppDev business segment, we have designed our marketing and sales model to be efficient for high volumes of lower-price transactions. Our marketing efforts focus on driving traffic to our websites and on generating high quality sales leads, in many cases, consisting of developer end users who download a free evaluation of our software. Our sales efforts then focus on converting these leads into paying customers through a high volume, short duration, sales process. Of particular importance to our target market, we enable our customers to buy our products in a manner convenient to them, whether by purchase order, online with a credit card or through our channel partners.

Customer Support

Our customer support staff provides telephone and Web-based support to end-users, application developers and OEMs. Customers may purchase maintenance services entitling them to software updates, technical support and technical bulletins. Maintenance is generally not required with our products and is purchased at the customer's option. We provide support to customers primarily through our main regional customer support centers in Bedford, Massachusetts; Morrisville, North Carolina; Rotterdam, The Netherlands; Hyderabad, India; Melbourne, Australia; and Sofia, Bulgaria. Local technical support for specific products is provided in certain other countries as well.

Professional Services

Our global professional services organization delivers business solutions for customers through a combination of products, consulting and education. Our consulting organization offers project management, implementation services, custom development, programming and other services. Our consulting organization also provides services to Web-enable existing applications or to take advantage of the capabilities of new product releases. Our education organization offers numerous training options, from traditional instructor-led courses to advanced learning modules available via the web or on CDs.

In 2014, we significantly bolstered our professional services capabilities by acquiring BravePoint, a leading provider of consulting, training and application development services. This acquisition enhanced our ability to quickly enable our partners and customers to take greater advantage of new technologies. With the acquisition of BravePoint, our services offerings include: application modernization; data management, managed database services; performance enhancements and tuning; and analytics/business intelligence. In 2016, we expect to expand our professional services capabilities in support of the products and solutions within our AppDev business segment.

Competition

The computer software industry is intensely competitive. We experience significant competition from a variety of sources with respect to all of our products. Factors affecting competition in the markets we serve include product performance in complex applications, application solutions, vendor experience, ease of integration, price, training and support.

We compete in various markets with a number of entities, such as salesforce.com, Inc., Amazon.com, Inc., Software AG, RedHat, Inc., Pivotal Software, Inc., Microsoft Corporation, Oracle Corporation and other smaller firms. Many of these vendors offer platform-as-a-service (PaaS), application development, data integration and other tools in conjunction with their CRM, web services, operating systems and relational database management systems. We believe that IBM Corporation, Microsoft Corporation and Oracle Corporation currently dominate the relational database market. We do not believe that there is a dominant vendor in the other infrastructure software markets, including application development. Some of our competitors have greater financial, marketing or technical resources than we have and/or may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than we can. Increased competition could make it more difficult for us to maintain our revenue and market presence.

Copyrights, Trademarks, Patents and Licenses

We rely on a combination of contractual provisions and copyright, patent, trademark and trade secret laws to protect our proprietary rights in our products. We generally distribute our products under software license agreements that grant customers a perpetual nonexclusive license to use our products and contain terms and conditions prohibiting the unauthorized reproduction or transfer of our products. We also distribute our products through various channel partners, including application partners, OEMs and system integrators. We also license our products under term or subscription arrangements. In addition, we attempt to protect our trade secrets and other proprietary information through agreements with employees, consultants and channel partners. Although we intend to protect our rights vigorously, there is no assurance that these measures will be successful.

We seek to protect the source code of our products as trade secrets and as unpublished copyrighted works. We hold numerous patents covering portions of our products. We also have several patent applications for some of our other product technologies. Where possible, we seek to obtain protection of our product names and service offerings through trademark registration and other similar procedures throughout the world.

We believe that due to the rapid pace of innovation within our industry, factors such as the technological and creative skills of our personnel are as important in establishing and maintaining a leadership position within the industry as are the various legal protections of our technology. In addition, we believe that the nature of our customers, the importance of our products to them and their need for continuing product support may reduce the risk of unauthorized reproduction, although no assurances can be made in this regard.

Business Segment and Geographical Information

Effective September 1, 2014, we began operating as three distinct business segments: OpenEdge, Data Connectivity and Integration, and Application Development and Deployment and began segment reporting for our three business segments beginning in the fourth fiscal quarter of 2014. The organizational changes we made in October 2015 did not necessitate further changes in our segment reporting. For additional information on business segments as well as geographical financial information, see Note 17 to our Consolidated Financial Statements in Item 8 of this Form 10-K.

Employees

As of November 30, 2015, we had 1,766 employees worldwide, including 501 in sales and marketing, 243 in customer support and services, 781 in product development and 241 in administration. None of our U.S. employees are subject to a collective bargaining agreement. Employees in certain foreign jurisdictions are represented by local workers' councils and/or collective bargaining agreements as may be customary or required in those jurisdictions. We have experienced no work stoppages and believe our relations with employees are good.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including exhibits, and amendments to those reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at www.progress.com as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission. The information posted on our website is not incorporated into this Annual Report.

Our Code of Conduct is also available on our website. Additional information about this code and amendments and waivers thereto can be found below in Part III, Item 10 of this Form 10-K.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves certain risks and uncertainties, some of which are beyond our control. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results.

Our revenue and quarterly results may fluctuate, which could adversely affect our stock price. We have experienced, and may in the future experience, significant fluctuations in our quarterly operating results that may be caused by many factors. These factors include:

- changes in demand for our products;
- introduction, enhancement or announcement of products by us or our competitors;
- market acceptance of our new products;
- the growth rates of certain market segments in which we compete;
- size and timing of significant orders;
- a high percentage of our revenue is generated in the third month of each fiscal quarter and any failure to receive, complete or process orders at the end of any quarter could cause us to fall short of our revenue targets;
- budgeting cycles of customers;
- mix of distribution channels;
- mix of products and services sold;
- mix of international and North American revenues;
- fluctuations in currency exchange rates;
- changes in the level of operating expenses;
- the amount of our stock-based compensation;
- changes in management;
- restructuring programs;
- changes in our sales force;
- completion or announcement of acquisitions by us or our competitors;
- customer order deferrals in anticipation of new products announced by us or our competitors; and
- general economic conditions in regions in which we conduct business.

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

The addition of a subscription model to augment our traditional perpetual licensing model may negatively impact our license growth in the near term. Under a subscription model, downturns or upturns in sales may not be immediately reflected in our results of operations. Subscription pricing allows customers to use our products at a lower initial cost when compared to the sale of a perpetual license. Although the subscription model is designed to increase the number of customers who purchase our products and services and create a recurring revenue stream that is more predictable, it

creates certain risks related to the timing of revenue recognition and reduced cash flows. A decline in new or renewed subscriptions in any period may not be immediately reflected in our results for that period, but may result in a decline in our revenue in future quarters. If we were to experience significant downturns in subscription sales and renewal rates, our results of operations might not reflect such downturns until future periods. Further, any increases in sales under our subscription sales model could result in decreased revenues over the short term if they are offset by a decline in sales from perpetual license customers.

We recognize a substantial portion of our revenue from sales made through third parties, including our application partners, distributors/resellers, and OEMs, and adverse developments in the businesses of these third parties or in our relationships with them could harm our revenues and results of operations. Our future results depend upon our continued successful distribution of our products through our application partner, distributor/reseller, and OEM channels. The activities of these third parties are not within our direct control. Our failure to manage our relationships with these third parties effectively could impair the success of our sales, marketing and support activities. A reduction in the sales efforts, technical capabilities or

financial viability of these parties, a misalignment of interest between us and them, or a termination of our relationship with a major application partner, distributor/reseller, or OEM could have a negative effect on our sales and financial results. Any adverse effect on the application partners', distributors'/resellers', or OEMs' businesses related to competition, pricing and other factors could also have a material adverse effect on our business, financial condition and operating results.

Weakness in the U.S. and international economies may result in fewer sales of our products and may otherwise harm our business. We are subject to the risks arising from adverse changes in global economic conditions, especially those in the U.S., Europe and Latin America. The past five years have been characterized by weak global economic conditions, tightening of credit markets and instability in the financial markets. If these conditions continue or worsen, customers may delay, reduce or forego technology purchases, both directly and through our application partners and OEMs. This could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition. Further, deteriorating economic conditions could adversely affect our customers and their ability to pay amounts owed to us. Any of these events would likely harm our business, results of operations, financial condition or cash flows.

Our international operations expose us to additional risks, and changes in global economic and political conditions could adversely affect our international operations, our revenue and our net income. Approximately 45% of our total revenue is generated from sales outside North America. Political and/or financial instability, oil price shocks and armed conflict in various regions of the world can lead to economic uncertainty and may adversely impact our business. If customers' buying patterns, decision-making processes, timing of expected deliveries and timing of new projects unfavorably change due to economic or political conditions, there would be a material adverse effect on our business, financial condition and operating results.

Other potential risks inherent in our international business include:

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

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

Fluctuations in foreign currency exchange rates could have an adverse impact on our financial condition and results of operations. Changes in the value of foreign currencies relative to the U.S. dollar has adversely affected our results of operations and financial position. For example, during the second half of 2014 and early 2015, the value of the U.S. dollar strengthened in comparison to certain foreign currencies, including in Europe, Brazil and Australia. As

approximately 35% of our revenue is denominated in foreign currency, our fiscal year 2015 revenue results were impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates.

We seek to reduce our exposure to fluctuations in exchange rates by entering into foreign exchange forward contracts to hedge certain actual and forecasted transactions of selected currencies (mainly in Europe, Brazil, India and Australia). Our currency hedging transactions may not be effective in reducing any adverse impact of fluctuations in foreign currency exchange rates. Further, the imposition of exchange or price controls or other restrictions on the conversion of foreign currencies could have a material adverse effect on our business.

Technology and customer requirements evolve rapidly in our industry, and if we do not continue to develop new products and enhance our existing products in response to these changes, our business could be harmed. Ongoing enhancements to our product sets will be required to enable us to maintain our competitive position. We may not be successful in developing and marketing enhancements to our products on a timely basis, and any enhancements we develop may not adequately address the

changing needs of the marketplace. Overlaying the risks associated with our existing products and enhancements are ongoing technological developments and rapid changes in customer requirements. Our future success will depend upon our ability to develop and introduce in a timely manner new products that take advantage of technological advances and respond to new customer requirements. We may not be successful in developing new products incorporating new technology on a timely basis, and any new products may not adequately address the changing needs of the marketplace. Failure to develop new products and product enhancements that meet market needs in a timely manner could have a material adverse effect on our business, financial condition and operating results.

We are substantially dependent on our Progress OpenEdge products. We derive a significant portion of our revenue from software license and maintenance revenue attributable to our Progress OpenEdge product set. Accordingly, our future results depend on continued market acceptance of OpenEdge. If new technologies emerge that are superior to, or more responsive to customer requirements, than OpenEdge such that we are unable to maintain OpenEdge's competitive position within its marketplace, this will have a material adverse effect on our business, financial condition and operating results.

The increased emphasis on a cloud strategy may give rise to risks that could harm our business. We are devoting significant resources to the development of cloud-based technologies and service offerings where we have a limited operating history. Our cloud strategy requires continued investment in product development and cloud operations as well as a change in the way we price and deliver our products. Many of our competitors may have advantages over us due to their larger presence, larger developer network, deeper experience in the cloud-based computing market, and greater sales and marketing resources. It is uncertain whether these strategies will prove successful or whether we will be able to develop the infrastructure and business models more quickly than our competitors. Our cloud strategy may give rise to a number of risks, including the following:

- if new or current customers desire only perpetual licenses, we may not be successful in selling subscriptions; although we intend to support our perpetual license business, the increased emphasis on a cloud strategy may raise concerns among our installed customer base;
- we may be unsuccessful in achieving our target pricing;
- our revenues might decline over the short or long term as a result of this strategy;
- our relationships with existing partners that resell perpetual licenses may be damaged; and
- we may incur costs at a higher than forecasted rate as we enhance and expand our cloud operations.

We may make additional acquisitions or investments in new businesses, products or technologies that involve additional risks, which could disrupt our business or harm our financial condition, results of operations or cash flows. We may make acquisitions of businesses or investments in companies that offer complementary products, services and technologies. Any acquisitions that we do complete involve a number of risks, including the risks of assimilating the operations and personnel of acquired companies, realizing the value of the acquired assets relative to the price paid, distraction of management from our ongoing businesses and potential product disruptions associated with the sale of the acquired company's products. In addition, an acquisition may not further our business strategy as we expected, we may not integrate an acquired company or technology as successfully as we expected or we may overpay for, or otherwise not realize the expected return on, our investments, which could adversely affect our business or operating results and potentially cause impairment to assets that we recorded as a part of an acquisition including intangible assets and goodwill. These factors could have a material adverse effect on our business, financial condition, operating results and cash flows. The consideration we pay for any future acquisitions could include our stock. As a result, future acquisitions could cause dilution to existing shareholders and to earnings per share.

We are investing significantly in development, sales and marketing resources in furtherance of our cloud-based offerings, and we may experience decreased profitability or losses if our cloud-based offerings do not gain market acceptance. We are increasing our investment in development, sales and marketing resources in furtherance of our

cloud-based offerings. These investments have resulted in increased costs. If demand for our cloud-based offerings does not materialize or increase, we could experience decreased profitability or losses as a result of these increased costs.

The segments of the software industry in which we participate are intensely competitive, and our inability to compete effectively could harm our business. We experience significant competition from a variety of sources with respect to the marketing and distribution of our products. Many of our competitors have greater financial, marketing or technical resources than we do and may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than we can. Increased competition could make it more difficult for us to maintain our market presence or lead to downward pricing pressure.

In addition, the marketplace for new products is intensely competitive and characterized by low barriers to entry. For example, an increase in market acceptance of open source software may cause downward pricing pressures. As a result, new competitors possessing technological, marketing or other competitive advantages may emerge and rapidly acquire market share. In addition,

current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, thereby increasing their ability to deliver products that better address the needs of our prospective customers. Current and potential competitors may also be more successful than we are in having their products or technologies widely accepted. We may be unable to compete successfully against current and future competitors, and our failure to do so could have a material adverse effect on our business, prospects, financial condition and operating results.

We rely on the experience and expertise of our skilled employees, and must continue to attract and retain qualified technical, marketing and managerial personnel in order to succeed. Our future success will depend in a large part upon our ability to attract and retain highly skilled technical, managerial, sales and marketing personnel. There is significant competition for such personnel in the software industry. We may not continue to be successful in attracting and retaining the personnel we require to develop new and enhanced products and to continue to grow and operate profitably.

The loss of technology licensed from third parties could adversely affect our ability to deliver our products. We utilize certain technology that we license from third parties, including software that is integrated with internally developed software and used in our products to perform key functions. This technology, or functionally similar technology, may not continue to be available on commercially reasonable terms in the future, or at all. The loss of any significant third-party technology license could cause delays in our ability to deliver our products or services until equivalent technology is developed internally or equivalent third-party technology, if available, is identified, licensed and integrated.

Privacy concerns and laws, evolving regulation of cloud computing, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our products and solutions and adversely affect our business. Regulation related to the provision of services on the Internet is increasing, as federal, state and foreign governments continue to adopt new laws and regulations addressing data privacy and the collection, processing, storage and use of personal information. In some cases, foreign data privacy laws and regulations, such as the European Union's Data Protection Directive, and the country-specific laws and regulations that implement that directive, also govern the processing of personal information. Further, laws are increasingly aimed at the use of personal information for marketing purposes, such as the European Union's e-Privacy Directive, and the country-specific regulations that implement that directive. Such laws and regulations are subject to new and differing interpretations and may be inconsistent among jurisdictions. These and other requirements could reduce demand for our products and solutions or restrict our ability to store and process data or, in some cases, impact our ability to offer our products and solutions in certain locations or our customers' ability to deploy our solutions globally.

For example, the European Court of Justice recently invalidated the U.S.-EU Safe Harbor framework that had been in place since 2000, which allowed companies to meet certain European legal requirements for the transfer of personal data from the European Economic Area to the United States. While other adequate legal mechanisms to lawfully transfer such data remain, the invalidation of the U.S.-EU Safe Harbor framework may result in different European data protection regulators applying differing standards for the transfer of personal data, which could result in increased regulation, cost of compliance and limitations on data transfer for us and our customers. The costs of compliance with and other burdens imposed by laws, regulations and standards may limit the use and adoption of our services, reduce overall demand for our services, lead to significant fines, penalties or liabilities for noncompliance, or slow the pace at which we close sales transactions, any of which could harm our business.

Furthermore, concerns regarding data privacy may cause our customers' customers to resist providing the data necessary to allow our customers to use our products and solutions effectively. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our products or solutions, and could limit adoption of our cloud-based solutions.

If our products contain software defects or security flaws, it could harm our revenues and expose us to litigation. Our products, despite extensive testing and quality control, may contain defects or security flaws, especially when we first introduce them or when new versions are released. We may need to issue corrective releases of our software products to fix any defects or errors. The detection and correction of any security flaws can be time consuming and costly. Errors in our software products could affect the ability of our products to work with other hardware or software products, delay the development or release of new products or new versions of products, adversely affect market acceptance of our products and expose us to potential litigation. If we experience errors or delays in releasing new products or new versions of products, such errors or delays could have a material adverse effect on our revenue.

We could incur substantial cost in protecting our proprietary software technology or if we fail to protect our technology, which would harm our business. We rely principally on a combination of contract provisions and copyright, trademark, patent and trade secret laws to protect our proprietary technology. Despite our efforts to protect our proprietary rights, unauthorized

parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This litigation could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. The steps we take to protect our proprietary rights may be inadequate to prevent misappropriation of our technology; moreover, others could independently develop similar technology.

We could be subject to claims that we infringe intellectual property rights of others, which could harm our business, financial condition, results of operations or cash flows. Third parties could assert infringement claims in the future with respect to our products and technology, and such claims might be successful. This litigation could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. This litigation could also lead to our being prohibited from selling one or more of our products, cause reluctance by potential customers to purchase our products, or result in liability to our customers and could have a material adverse effect on our business, financial condition, operating results and cash flows.

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

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

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

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

We are required to comply with certain financial and operating covenants under our credit facility and to make scheduled debt payments as they become due; any failure to comply with those covenants or to make scheduled payments could cause amounts borrowed under the facility to become immediately due and payable or prevent us from borrowing under the facility. In December 2014, we entered into a new credit facility, which consists of a \$150

million term loan and a \$150 million revolving loan (and may be increased by an additional \$75 million in the form of revolving loans or term loans, or a combination thereof if the existing or additional lenders are willing to make such increased commitments). This new facility matures in December 2019, at which time any amounts outstanding will be due and payable in full. We may wish to borrow additional amounts under the facility in the future to support our operations, including for strategic acquisitions and share repurchases.

We are required to comply with specified financial and operating covenants and to make scheduled repayments of our term loan, which limits our ability to operate our business as we otherwise might operate it. Our failure to comply with any of these covenants or to meet any payment obligations under the facility could result in an event of default which, if not cured or waived, would result in any amounts outstanding, including any accrued interest and unpaid fees, becoming immediately due and payable. We might not have sufficient working capital or liquidity to satisfy any repayment obligations in the event of an

acceleration of those obligations. In addition, if we are not in compliance with the financial and operating covenants at the time we wish to borrow funds, we will be unable to borrow funds.

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

Item 1B. Unresolved Staff Comments

As of the date of this report, we do not have any open comments from the U.S. Securities and Exchange Commission (SEC) related to our financial statements or periodic filings with the SEC.

Item 2. Properties

We own our principal administrative, sales, support, marketing, product development and distribution facilities, which are located in three buildings totaling approximately 258,000 square feet in Bedford, Massachusetts. In addition, we maintain offices in leased facilities in various other locations in North America and outside North America, including Australia, Belgium, Brazil, Bulgaria, France, Germany, India, Netherlands, Singapore, and the United Kingdom. The terms of our leases generally range from one to six years. We believe that our facilities are adequate for our current needs and that suitable additional space will be available as needed.

Item 3. Legal Proceedings

We are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material effect on our consolidated financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

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

	Fiscal Year Ended			
	November 30, 2015		November 30, 2014	
	High	Low	High	Low
First quarter	\$27.79	\$23.58	\$26.75	\$22.81
Second quarter	\$27.80	\$25.32	\$25.47	\$20.06
Third quarter	\$30.57	\$25.69	\$24.88	\$20.92

Fourth quarter	\$27.44	\$21.94	\$27.43	\$22.27
----------------	---------	---------	---------	---------

We have not declared or paid cash dividends on our common stock and we do not plan to pay cash dividends to our shareholders in the near future. As of December 31, 2015, our common stock was held by approximately 181 shareholders of record.

In January 2014, our Board of Directors authorized a \$100.0 million share repurchase program. In fiscal year 2014, we repurchased and retired 2.3 million shares of our common stock for \$52.6 million. In fiscal year 2015, under the same

authorization, we repurchased and retired 1.3 million shares for \$32.9 million, leaving \$14.5 million remaining under the authorization.

In September 2015, our Board of Directors authorized a new \$100.0 million share repurchase program, which increased the total authorization to \$114.5 million. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

Stock Performance Graph and Cumulative Total Return

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total return on the NASDAQ Composite Index and the NASDAQ Computer Index for each of the last five fiscal years ended November 30, 2015, assuming an investment of \$100 at the beginning of such period and the reinvestment of any dividends.

Comparison of 5 Year Cumulative Total Return(1) Among Progress Software Corporation, the NASDAQ Composite Index and the NASDAQ Computer Index

(1) \$100 invested on November 30, 2010 in stock or index, including reinvestment of dividends.

November 30,	2010	2011	2012	2013	2014	2015
Progress Software Corporation	\$100.00	\$79.32	\$78.31	\$101.99	\$101.48	\$93.42
NASDAQ Composite	100.00	104.89	120.49	161.93	189.23	204.49
NASDAQ Computer	100.00	108.05	121.14	152.71	192.71	208.40

Item 6. Selected Financial Data

The following table sets forth selected financial data for the last five fiscal years (in thousands, except per share data):

Year Ended November 30,	2015	2014	2013	2012	2011
Revenue	\$377,554	\$332,533	\$333,996	\$317,612	\$333,610
Income from operations	14,754	80,740	63,740	67,789	108,712
(Loss) income from continuing operations	(8,801)	49,458	39,777	44,954	71,389
Net (loss) income	(8,801)	49,458	74,907	47,444	59,629
Basic (loss) earnings per share from continuing operations	(0.17)	0.97	0.73	0.71	1.09
Diluted (loss) earnings per share from continuing operations	(0.17)	0.96	0.72	0.71	1.06
Cash, cash equivalents and short-term investments	241,279	283,268	231,440	355,217	261,416
Total assets	877,123	702,756	682,187	884,977	864,263
Long-term debt, including current portion	144,375	—	—	—	357
Shareholders' equity	522,464	543,245	513,654	638,399	625,110

Fiscal year 2015 amounts have been impacted by the acquisition of Telerik AD. Refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 8 to the Consolidated Financial Statements in Item 8 of this Form 10-K for additional details. We also entered into a credit agreement during fiscal year 2015 to partially fund our acquisition of Telerik AD. Refer to Note 9 to the Consolidated Financial Statements for additional details.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements below about anticipated results and our products and markets are forward-looking statements that are based on our current plans and assumptions. Important information about the bases for these plans and assumptions and factors that may cause our actual results to differ materially from these statements is contained below and in Item 1A. "Risk Factors" of this Annual Report on Form 10-K.

Use of Constant Currency

Revenue from our international operations has historically represented more than half of our total revenue. As a result, our revenue results have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, if the local currencies of our foreign subsidiaries weaken, our consolidated results stated in U.S. dollars are negatively impacted.

As exchange rates are an important factor in understanding period to period comparisons, we believe the presentation of revenue growth rates on a constant currency basis enhances the understanding of our revenue results and evaluation of our performance in comparison to prior periods. The constant currency information presented is calculated by translating current period results using prior period weighted average foreign currency exchange rates. These results should be considered in addition to, not as a substitute for, results reported in accordance with accounting principles generally accepted in the United States of America (GAAP).

Overview

We are a global 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. Our solutions are used across a variety of industries.

At the beginning of fiscal year 2015, we acquired Telerik AD, 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. Through this acquisition, we provide comprehensive cloud and on-premise platform offerings that enable developers to rapidly create applications, driven by data for any web, desktop or mobile platform.

The revenue of Telerik is being recognized ratably over the maintenance period, which is generally one year, as vendor specific objective evidence (or VSOE) of fair value cannot be established for such maintenance. As a result of acquisition accounting, the acquired deferred revenue balance was significantly reduced to reflect its fair value as of the acquisition date. However, we are still incurring the associated costs to fulfill the acquired deferred revenue, which are reflected in our consolidated statement of operations. As a result, our expenses as a percentage of total revenue are higher than we expect they will be in future periods once this acquired deferred revenue balance is recognized.

Effective September 1, 2014, we began operating as three distinct segments: OpenEdge, Data Connectivity and Integration, and Application Development and Deployment, each with dedicated sales, product management and product marketing functions. As a result of these changes, we began segment reporting for our three segments beginning in the fourth fiscal quarter of 2014. The organizational changes we made in October 2015 did not necessitate further changes in our segment reporting. The segment information for the prior periods presented has been restated to reflect the change in our reportable segments.

In fiscal year 2015, we repurchased and retired 1.3 million shares for \$32.9 million under our fiscal year 2014 share repurchase authorization, leaving \$14.5 million remaining under the authorization. In September 2015, our Board of Directors authorized a new \$100.0 million share repurchase program, which increased the total authorization to \$114.5 million. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

We derive a significant portion of our revenue from international operations, which are primarily conducted in foreign currencies. As a result, changes in the value of these foreign currencies relative to the U.S. dollar have significantly impacted our results of operations and may impact our future results of operations. Beginning in the fourth quarter of 2014, the value of the U.S. dollar strengthened in comparison to certain foreign currencies, including in Europe, Brazil and Australia, and continued to strengthen during the first half of 2015. Since approximately 35% of our revenue is denominated in foreign currency, our revenue results have been negatively impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates.

We have evaluated, and expect to continue to evaluate, possible acquisitions and other strategic transactions designed to expand our business and/or add complementary products and technologies to our existing product sets. As a result, our expected uses of cash could change, our cash position could be reduced and we may incur additional debt obligations to the extent we complete additional acquisitions.

We believe that existing cash balances, together with funds generated from operations and amounts available under our credit facility will be sufficient to finance our operations and meet our foreseeable cash requirements through at least the next twelve months.

Results of Operations

Fiscal Year 2015 Compared to Fiscal Year 2014

Revenue

(In thousands)	Fiscal Year Ended	Percentage Change	
		As Reported	Constant

	November 30, 2015	November 30, 2014		Currency	
Revenue	\$377,554	\$332,533	14	% 21	%

Total revenue increased \$45.0 million, or 14%, in fiscal year 2015 as compared to fiscal year 2014. Revenue would have increased by 21% if exchange rates had been constant in fiscal year 2015 as compared to exchange rates in fiscal year 2014. The increase in revenue in fiscal year 2015 was a result of an increase in both license and maintenance and services revenue, primarily due to the impact of our acquisitions of Telerik in December 2014 and BravePoint during the fourth fiscal quarter of 2014. Changes in prices from fiscal year 2014 to fiscal year 2015 did not have a significant impact on our revenue.

License Revenue

(In thousands)	Fiscal Year Ended		Percentage Change		
	November 30, 2015	November 30, 2014	As Reported	Constant Currency	
License	\$130,250	\$117,801	11	% 18	%
As a percentage of total revenue	34	% 35	%		

Software license revenue increased \$12.4 million, or 11%, in fiscal year 2015 as compared to fiscal year 2014. Software license revenue would have increased by 18% if exchange rates had been constant in fiscal year 2015 as compared to exchange rates in effect in fiscal year 2014. The increase in license revenue was primarily in the North America and Asia Pacific regions as a result of incremental license revenue from the acquisition of Telerik. In addition to the incremental license revenue from Telerik, both OpenEdge and the Data Connectivity and Integration business segment showed strong growth in fiscal year 2015 on a constant currency basis, both to partners, as well as to direct end users.

Maintenance and Services Revenue

(In thousands)	Fiscal Year Ended		Percentage Change		
	November 30, 2015	November 30, 2014	As Reported	Constant Currency	
Maintenance	\$217,718	\$202,496	8	% 15	%
As a percentage of total revenue	58	% 61	%		
Professional services	\$29,586	\$12,236	142	% 146	%
As a percentage of total revenue	8	% 4	%		
Total maintenance and services revenue	\$247,304	\$214,732	15	% 23	%
As a percentage of total revenue	66	% 65	%		

Maintenance and services revenue increased \$32.6 million in fiscal year 2015 as compared to fiscal year 2014. Maintenance revenue increased 8% and professional services revenue increased 142% compared to the prior year. The increase in maintenance revenue was primarily in the North America region, due in large part to the incremental revenue associated with the Telerik acquisition, as well as our strong OpenEdge maintenance renewal rate of over 90%. The increase in professional services revenue was primarily due to the impact of the BravePoint acquisition.

Revenue by Region

(In thousands)	Fiscal Year Ended		Percentage Change		
	November 30, 2015	November 30, 2014	As Reported	Constant Currency	
North America	\$207,566	\$150,716	38	% 38	%
As a percentage of total revenue	55	% 45	%		
EMEA	\$124,171	\$131,335	(5)	)% 7	%
As a percentage of total revenue	33	% 40	%		
Latin America	\$17,594	\$24,917	(29)	)% (8))%
As a percentage of total revenue	5	% 7	%		
Asia Pacific	\$28,223	\$25,565	10	% 22	%
As a percentage of total revenue	7	% 8	%		

Total revenue generated in North America increased \$56.9 million, and total revenue generated outside North America decreased \$11.8 million, in fiscal year 2015 as compared to fiscal year 2014. The increase in North America was primarily due to the impact of the Telerik and BravePoint acquisitions. In addition to the incremental revenue from Telerik and BravePoint, the increase in North America was due to strong OpenEdge license sales both to our partners and direct end users, growth in Data Connectivity and Integration license sales to our OEM channel, and strong maintenance renewals.

The decreases in EMEA and Latin America of 5% and 29%, respectively, were primarily due to the impact of the stronger U.S. dollar. If exchange rates had been constant in fiscal year 2015 as compared to exchange rates in effect in fiscal year 2014, revenue generated in EMEA would have increased 7% year over year, while revenue generated in Latin America would have decreased by 8%. The 10% increase in Asia Pacific was primarily due to the impact of the Telerik acquisition and revenue generated in the Asia Pacific region would have increased by 22% if exchange rates had been constant in fiscal year 2015 as compared to exchange rates in effect in fiscal year 2014.

Total revenue generated in markets outside North America represented 45% of total revenue in fiscal year 2015 compared to 55% of total revenue in fiscal year 2014. Total revenue generated in markets outside North America would have represented 48% of total revenue if exchange rates had been constant in fiscal year 2015 as compared to the exchange rates in effect in fiscal year 2014.

Revenue by Segment

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
OpenEdge segment	\$295,934	\$296,721	—	%
Data Connectivity and Integration segment	37,926	34,772	9	%
Application Development and Deployment segment	43,694	1,040	4,101	%
Total revenue	\$377,554	\$332,533	14	%

Revenue in the OpenEdge segment decreased \$0.8 million in fiscal year 2015 as compared to fiscal year 2014, due to a decrease in maintenance revenue primarily in the EMEA region as a result of the impact of the stronger U.S. dollar, partially offset by incremental services revenues as a result of the BravePoint acquisition. Revenue in the OpenEdge segment would have increased by 8% if exchange rates had been constant in fiscal year 2015 as compared to exchange rates in effect in fiscal year 2014. Data Connectivity and Integration revenue increased \$3.2 million, or 9%, in fiscal year 2015 as compared to fiscal year 2014. Application Development revenue increased \$42.7 million year over year as a result of the impact of the Telerik acquisition.

Cost of Software Licenses

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
Cost of software licenses	\$5,979	\$6,396	(7)%
As a percentage of software license revenue	5	% 5	%	
As a percentage of total revenue	2	% 2	%	

Cost of software licenses consists primarily of costs of royalties, electronic software distribution costs, duplication and packaging. Cost of software licenses decreased \$0.4 million, or 7%, in fiscal year 2015 as compared to fiscal year 2014, and remained flat as a percentage of software license revenue. Cost of software licenses as a percentage of software license revenue varies from period to period depending upon the relative product mix.

Cost of Maintenance and Services

(In thousands)	Fiscal Year Ended		Percentage
	November 30, 2015	November 30, 2014	

Edgar Filing: PROGRESS SOFTWARE CORP /MA - Form 10-K

	November 30, 2015	November 30, 2014	Change	
Cost of maintenance and services	\$40,933	\$24,864	65	%
As a percentage of maintenance and services revenue	17	% 12	%	
As a percentage of total revenue	11	% 7	%	

21

Cost of maintenance and services consists primarily of costs of providing customer support, consulting and education. Cost of maintenance and services increased \$16.1 million, or 65%, in fiscal year 2015 as compared to fiscal year 2014, and increased as a percentage of maintenance and services revenue from 12% to 17%. The increase in cost of maintenance and services is primarily due to the impact of the Telerik and BravePoint acquisitions. With respect to the acquisition of Telerik, as a result of acquisition accounting, the acquired deferred revenue balance was significantly reduced to reflect its fair value as of the acquisition date. However, we are still incurring the associated costs to fulfill the acquired deferred revenue, which primarily relate to cost of maintenance and services. As a result, our expenses as a percentage of total revenue are higher than we expect they will be in future periods once this acquired deferred revenue balance is recognized.

Amortization of Acquired Intangibles

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
Amortization of acquired intangibles	\$16,830	\$2,999	461	%
As a percentage of total revenue	4	% 1	%	

Amortization of acquired intangibles included in costs of revenue primarily represents the amortization of the value assigned to technology-related intangible assets obtained in business combinations. Amortization of acquired intangibles increased \$13.8 million, or 461%, in fiscal year 2015 as compared to fiscal year 2014. The increase was due to amortization of intangible assets acquired in connection with the Modulus, BravePoint and Telerik acquisitions, partially offset by decreases due to the completion of amortization of certain intangible assets acquired in prior years.

Gross Profit

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
Gross profit	\$313,812	\$298,274	5	%
As a percentage of total revenue	83	% 90	%	

Our gross profit increased \$15.5 million, or 5%, in fiscal year 2015 as compared to fiscal year 2014, and our gross profit as a percentage of total revenue decreased from 90% to 83% year over year. The increase is primarily due to an increase in revenue as described above, partially offset by the increase of cost of maintenance and services, mainly due to the impact of the BravePoint acquisition, and the increase of amortization of acquired intangible assets. In addition, as a result of acquisition accounting, the deferred revenue balance acquired from Telerik was significantly reduced to reflect its fair value as of the acquisition date. However, we are still incurring the associated costs to fulfill the acquired deferred revenue, which are reflected in our consolidated statement of operations. As a result, our expenses as a percentage of total revenue are higher than we expect they will be in future periods once this acquired deferred revenue balance is recognized.

Sales and Marketing

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
Sales and marketing	\$124,867	\$101,496	23	%
As a percentage of total revenue	33	% 31	%	

Sales and marketing expenses increased \$23.4 million, or 23%, in fiscal year 2015 as compared to fiscal year 2014, and increased as a percentage of total revenue from 31% to 33%. The increase in sales expenses was primarily due to higher compensation-related costs in the sales function as a result of headcount increases primarily due to the impact of the Telerik and BravePoint acquisitions, as well as higher commissions expense due to the higher level of license revenue compared to fiscal year 2014. Marketing expenses were higher primarily due to the impact of the Telerik acquisition.

Product Development

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
Product development costs	\$88,250	\$63,099	40	%
Capitalized product development costs	(1,326)	(4,134)	(68))%
Total product development expense	\$86,924	\$58,965	47	%
As a percentage of total revenue	23	% 18	%	

Product development expenses increased \$28.0 million, or 47%, in fiscal year 2015 as compared to fiscal year 2014, and increased as a percentage of revenue from 18% to 23%. The increase was primarily due to higher compensation-related costs in the product development function as a result of headcount increases due to the impact of the Telerik acquisition. Capitalized product development costs decreased by 68% as compared to the prior fiscal year as a result of our decision to replace our internally developed cloud-based mobile application development technology with technology acquired as part of Telerik.

General and Administrative

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
General and administrative	\$57,294	\$48,292	19	%
As a percentage of total revenue	15	% 15	%	

General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses increased \$9.0 million, or 19%, in fiscal year 2015 as compared to fiscal year 2014, and remained flat as a percentage of revenue. The increase was primarily due to higher compensation-related costs in the general and administrative function as a result of headcount increases due to the impact of the Telerik and BravePoint acquisitions.

Amortization of Acquired Intangibles

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
Amortization of acquired intangibles	\$12,745	\$653	1,852	%
As a percentage of total revenue	3	% —	%	

Amortization of acquired intangibles included in operating expenses primarily represents the amortization of value assigned to intangible assets obtained in business combinations other than assets identified as purchased technology. Amortization of acquired intangibles increased \$12.1 million in fiscal year 2015 as compared to fiscal year 2014. The increase was due to amortization of intangible assets acquired with the Modulus, BravePoint and Telerik acquisitions, partially offset by decreases due to the completion of amortization of certain intangible assets acquired in prior years.

Restructuring Expenses

(In thousands)	Fiscal Year Ended		Percentage
	November 30, 2015	November 30, 2014	

Edgar Filing: PROGRESS SOFTWARE CORP /MA - Form 10-K

	November 30, 2015	November 30, 2014	Change	
Restructuring expenses	\$12,989	\$2,266	473	%
As a percentage of total revenue	3	% 1	%	

23

We incurred restructuring expenses of \$13.0 million in fiscal year 2015 as compared to \$2.3 million in fiscal year 2014. Restructuring expenses recorded in fiscal year 2015 relate to the restructuring activities occurring in fiscal years 2015, 2014, 2013 and 2012. See Note 14 to the Consolidated Financial Statements in Item 8 of this Form 10-K for additional details, including types of expenses incurred and the timing of future expenses and cash payments. See also the Liquidity and Capital Resources section of this Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Acquisition-Related Expenses

(In thousands)	Fiscal Year Ended		Percentage Change
	November 30, 2015	November 30, 2014	
Acquisition-related expenses	\$4,239	\$5,862	(28)%
As a percentage of total revenue	1	% 2	%

Acquisition-related costs are expensed as incurred and include those costs incurred as a result of a business combination. These costs consist of professional service fees, including third-party legal and valuation-related fees, as well as retention fees, and earn-out payments treated as compensation expense. Acquisition-related expenses decreased in fiscal year 2015 compared to fiscal year 2014 due to the completion of earn-out provisions related to the Rollbase acquisition as of the end of the second quarter of fiscal year 2015, as well as the reversal of contingent consideration provisions related to the Modulus acquisition, which was credited to the consolidated statement of operations during fiscal year 2015. The decrease was partially offset by retention bonus costs incurred in fiscal year 2015 related to the BravePoint and Telerik acquisitions. See Note 8 to the Consolidated Financial Statements for additional details.

Income from Operations

(In thousands)	Fiscal Year Ended		Percentage Change
	November 30, 2015	November 30, 2014	
Income from operations	\$14,754	\$80,740	(82)%
As a percentage of total revenue	4	% 24	%

Income from operations decreased \$66.0 million, or 82%, in fiscal year 2015 as compared to fiscal year 2014. As discussed above, the decrease was primarily the result of higher expenses resulting from acquisitions, partially offset by higher revenue during fiscal year 2015 compared to fiscal year 2014. With respect to the acquisition of Telerik, as a result of acquisition accounting, the acquired deferred revenue balance was significantly reduced to reflect its fair value as of the acquisition date. However, we are still incurring the associated costs to fulfill the acquired deferred revenue. As a result, our expenses as a percentage of total revenue are higher than we expect they will be in future periods once this acquired deferred revenue balance is recognized.

Income from Operations by Segment

(In thousands)	Fiscal Year Ended		Percentage Change
	November 30, 2015	November 30, 2014	
OpenEdge segment	\$218,849	\$225,910	(3)%
Data Connectivity and Integration segment	24,107	22,464	7%
Application Development and Deployment segment	4,308	(8,314)	) 152%

Edgar Filing: PROGRESS SOFTWARE CORP /MA - Form 10-K

Other unallocated expenses	(232,510	)	(159,320	)	(46)%
Total income from operations	\$14,754		\$80,740		(82)%

Note that the following expenses are not allocated to our segments as we manage and report our business in these functional areas on a consolidated basis only: product development, corporate marketing, general and administration, amortization of acquired intangibles, stock-based compensation, restructuring, and acquisition-related expenses.

24

Other (Expense) Income

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
Interest expense	\$(3,788)	\$(572)	562	%
Interest income and other, net	\$1,446	\$83	1,642	%
Foreign currency loss	(58)	(2,447)	98	%
Total other (expense) income, net	\$(2,400)	\$(2,936)	18	%
As a percentage of total revenue	(1)%	(1)%		

Total other expense decreased \$0.5 million, or 18%, in fiscal year 2015 as compared to fiscal year 2014. The decrease is primarily due to the realized loss incurred of \$2.6 million resulting from the sale of our auction rate securities, which is included in interest income and other, net for fiscal year 2014, partially offset by the increase in interest expense due to the new credit facility. The change in foreign currency losses is a result of movements in exchange rates and the impact in fiscal year 2015 on our intercompany receivables and payables denominated in currencies other than local currencies.

Provision for Income Taxes

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
Provision for income taxes	\$21,155	\$28,346	(25)%
As a percentage of total revenue	6	% 9	%	

Our effective tax rate was 171% in fiscal year 2015 and 36% in fiscal year 2014. The increase in the effective rate is primarily due to the jurisdictional mix of profits as a result of the acquisition of Telerik, where substantial losses are being incurred in Bulgaria with a tax benefit at the 10% statutory rate and other jurisdictions' earnings, primarily in the United States, are being taxed at higher rates. The loss in Bulgaria is primarily due to amortization expense and other acquisition accounting adjustments related to the Telerik acquisition. Deferred tax liabilities have been established in acquisition accounting for the tax effect of the Telerik amortization expense and other purchase accounting adjustments.

Net (Loss) Income

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2015	November 30, 2014		
Net (loss) income	\$(8,801)	\$49,458	(118)%
As a percentage of total revenue	(2)%	15	%	

Fiscal 2014 Compared to Fiscal 2013

Revenue

(In thousands)	Fiscal Year Ended		Percentage Change	
			As Reported	Constant

	November 30, 2014	November 30, 2013		Currency	
Revenue	\$332,533	\$333,996	—	%	— %

Total revenue decreased \$1.5 million in fiscal year 2014 as compared to fiscal year 2013. The decrease in revenue in fiscal year 2014 was primarily a result of a decrease in license revenue as further described below.

Changes in prices from fiscal year 2013 to fiscal year 2014 did not have a significant impact on our revenue. Changes in foreign currency exchange rates did not significantly impact our reported revenues on a consolidated basis for fiscal year 2014.

License Revenue

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013	As Reported	Constant Currency
License	\$117,801	\$122,312	(4)	(3)
As a percentage of total revenue	35	% 37	%	%

Software license revenue decreased \$4.5 million, or 4%, in fiscal year 2014 as compared to fiscal year 2013. Software license revenue would have decreased by 3% if exchange rates had been constant in fiscal year 2014 as compared to exchange rates in effect in fiscal year 2013. License revenue in fiscal year 2014 decreased in the North America, EMEA, and Latin America regions, mainly as a result of lower revenues related to our DataDirect product, primarily to direct end users. The decrease in DataDirect sales was also due to the upfront revenue recognition in fiscal year 2013 on several large multi-year OEM renewals, as well as the weakness in our pipeline from earlier in the year, which impacted our revenue growth in the first three quarters of fiscal year 2014.

Maintenance and Services Revenue

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013	As Reported	Constant Currency
Maintenance	\$202,496	\$202,857	—	—
As a percentage of total revenue	61	% 61	%	%
Professional services	\$12,236	\$8,827	39	38
As a percentage of total revenue	4	% 3	%	%
Total maintenance and services revenue	\$214,732	\$211,684	1	(1)
As a percentage of total revenue	65	% 63	%	%

Maintenance and services revenue increased \$3.0 million in fiscal year 2014 as compared to fiscal year 2013. Maintenance revenue remained essentially flat and professional services revenue increased 39% compared to the prior year. The increase in professional services revenue in fiscal year 2014 was primarily due to the impact of the BravePoint acquisition during the fourth quarter of fiscal year 2014.

Revenue by Region

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013	As Reported	Constant Currency
North America	\$150,716	\$154,279	(2)	(2)
As a percentage of total revenue	45	% 46	%	%
EMEA	\$131,335	\$133,600	(2)	(4)
As a percentage of total revenue	40	% 40	%	%
Latin America	\$24,917	\$25,370	(2)	6
As a percentage of total revenue	7	% 8	%	%
Asia Pacific	\$25,565	\$20,747	23	29

generated in markets outside North America would have represented 55% of total revenue if exchange rates had been constant in fiscal year 2014 as compared to the exchange rates in effect in fiscal year 2013. The increase in the Asia Pacific region was due to a large multi-year deal with two OpenEdge end users.

Revenue by Segment

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
OpenEdge segment	\$296,721	\$293,508	1	%
Data Connectivity and Integration segment	34,772	40,089	(13))%
Application Development and Deployment segment	1,040	399	161	%
Total revenue	\$332,533	\$333,996	—	%

Revenue in the OpenEdge segment increased \$3.2 million, or 1%, due to growth in the Asia Pacific and Latin America regions, as well as incremental services revenues as a result of the BravePoint acquisition during the fourth quarter of fiscal year 2014. Data Connectivity and Integration revenue decreased \$5.3 million, or 13%, year over year, primarily in North America. The decrease in Data Connectivity and Integration revenue was primarily due to the upfront revenue recognition in fiscal year 2013 on several large multi-year OEM renewals, as well as the weakness in our pipeline from earlier in the year, which impacted our revenue growth in the first three quarters of fiscal year 2014. Application Development and Deployment revenue was \$1.0 million in fiscal year 2014 compared to \$0.4 million in fiscal year 2013.

Cost of Software Licenses

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
Cost of software licenses	\$6,396	\$6,889	(7))%
As a percentage of software license revenue	5	% 6	%	
As a percentage of total revenue	2	% 2	%	

Cost of software licenses consists primarily of costs of royalties, electronic software distribution costs, duplication and packaging. Cost of software licenses decreased \$0.5 million in fiscal year 2014 as compared to fiscal year 2013, and decreased as a percentage of software license revenue from 6% to 5%, due to lower royalties. Cost of software licenses as a percentage of software license revenue varies from period to period depending upon the relative product mix.

Cost of Maintenance and Services

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
Cost of maintenance and services	\$24,864	\$26,753	(7))%
As a percentage of maintenance and services revenue	12	% 13	%	
As a percentage of total revenue	7	% 8	%	

Cost of maintenance and services consists primarily of costs of providing customer support, education and consulting. Cost of maintenance and services decreased \$1.9 million in fiscal year 2014 as compared to fiscal year 2013, and

decreased as a percentage of maintenance and services revenue from 13% to 12%. The decrease in cost of maintenance and services in fiscal year 2014 is primarily due to lower compensation-related costs as a result of the significant decrease in headcount within our customer support organization compared to fiscal year 2013, which more than offset the increase in costs of services due to the acquisition of BravePoint during the fourth quarter of fiscal year 2014.

Amortization of Acquired Intangibles

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
Amortization of acquired intangibles	\$2,999	\$1,340	124	%
As a percentage of total revenue	1	%	—	%

Amortization of acquired intangibles included in costs of revenue primarily represents the amortization of the value assigned to intangible assets for technology obtained in business combinations. Amortization of acquired intangibles increased \$1.7 million in fiscal year 2014 as compared to fiscal year 2013. The increase was due to amortization of intangible assets acquired as a result of the Rollbase and Modulus acquisitions, which were completed at the end of the second quarter of fiscal year 2013 and 2014, respectively, and the BravePoint acquisition completed during the fourth quarter of fiscal year 2014, partially offset by decreases due to the completion of amortization of certain intangible assets acquired in prior years.

Gross Profit

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
Gross profit	\$298,274	\$299,014	—	%
As a percentage of total revenue	90	%	90	%

Our gross profit decreased \$0.7 million in fiscal year 2014 as compared to fiscal year 2013, and our gross profit as a percentage of total revenue was 90% for both periods. The dollar decrease in our gross profit was primarily due to lower license revenue offset by lower cost of maintenance and services.

Sales and Marketing

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
Sales and marketing	\$101,496	\$105,997	(4)	%)
As a percentage of total revenue	31	%	32	%

Sales and marketing expenses decreased \$4.5 million in fiscal year 2014 as compared to fiscal year 2013, and decreased as a percentage of total revenue from 32% to 31%. The decrease was primarily due to lower compensation-related and travel costs in the sales function, as well as lower commission expense due to the lower level of license bookings as compared to fiscal year 2013. The decrease in costs in these areas was slightly offset by an increase in stock based compensation expense during the third quarter of fiscal year 2014 due to accelerated vesting of restricted stock units in connection with the termination of employment of our Senior Vice President of Global Field Operations. Marketing expenses were relatively consistent between the periods.

Product Development

(In thousands)	Fiscal Year Ended		Percentage
	November 30, 2014	November 30, 2013	

Edgar Filing: PROGRESS SOFTWARE CORP /MA - Form 10-K

	November 30, 2014	November 30, 2013	Change	
Product development costs	\$63,099	\$58,172	8	%
Capitalized product development costs	(4,134)	(836)	394	%
Total product development expense	\$58,965	\$57,336	3	%
As a percentage of total revenue	18	% 17	%	

28

Product development expenses increased \$1.6 million in fiscal year 2014 as compared to fiscal year 2013, and increased as a percentage of revenue from 17% to 18%. The increase was primarily due to higher costs related to building our Progress Pacific platform. The increase was partially offset by the deferral of capitalized product development costs related to certain development activities with respect to our cloud and mobile platforms beginning in the fourth quarter of fiscal year 2013, as well as lower incentive compensation costs.

General and Administrative

(In thousands)	Fiscal Year Ended		
	November 30, 2014	November 30, 2013	Percentage Change
General and administrative	\$48,292	\$55,994	(14)%
As a percentage of total revenue	15	% 17	%

General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses decreased \$7.7 million in fiscal year 2014 as compared to fiscal year 2013, and decreased as a percentage of revenue from 17% to 15%. The decrease is primarily related to lower compensation-related costs as a result of headcount reduction actions occurring subsequent to the third quarter of fiscal year 2013, as well as lower incentive compensation and professional services costs. The decrease in costs in these areas was slightly offset by an increase in stock based compensation expense during the third quarter of fiscal year 2014 due in part to accelerated vesting of restricted stock units in connection with the termination of employment of our Senior Vice President of Human Resources.

Amortization of Acquired Intangibles

(In thousands)	Fiscal Year Ended		
	November 30, 2014	November 30, 2013	Percentage Change
Amortization of acquired intangibles	\$653	\$760	(14)%
As a percentage of total revenue	—	% —	%

Amortization of acquired intangibles included in operating expenses primarily represents the amortization of value assigned to intangible assets obtained in business combinations other than assets identified as purchased technology. Amortization of these acquired intangibles decreased 14% in fiscal year 2014 as compared to fiscal year 2013 due to the completion of amortization of certain intangible assets acquired in prior years, offset by the amortization of intangible assets associated with the Rollbase and Modulus acquisitions, which were completed during the second quarter of fiscal years 2013 and 2014, respectively, and the BravePoint acquisition, which was completed in the fourth quarter of fiscal year 2014.

Restructuring Expenses

(In thousands)	Fiscal Year Ended		
	November 30, 2014	November 30, 2013	Percentage Change
Restructuring expenses	\$2,266	\$11,983	(81)%
As a percentage of total revenue	1	% 4	%

We incurred restructuring expenses of \$2.3 million in fiscal year 2014 as compared to \$12.0 million in fiscal year 2013. Restructuring expenses in fiscal year 2014 relate to the restructuring actions occurring in fiscal years 2014, 2013 and 2012. See Note 14 to the Consolidated Financial Statements in Item 8 of this Form 10-K for additional details, including types of expenses incurred and the timing of future expenses and cash payments. See also "Liquidity and Capital Resources".

Acquisition-Related Expenses

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
Acquisition-related expenses	\$5,862	\$3,204	83	%
As a percentage of total revenue	2	% 1	%	

Acquisition-related expenses increased in fiscal year 2014 compared to fiscal year 2013 due to expenses related to earn-out provisions that were part of the Rollbase acquisition completed in the second quarter of fiscal year 2013, as well as transaction-related costs, primarily professional services fees, associated with the acquisition of Modulus, which was acquired in the second quarter of fiscal year 2014, BravePoint, which was acquired in the fourth quarter of fiscal year 2014, and Telerik, which was acquired in the first quarter of fiscal year 2015.

Income from Operations

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
Income from operations	\$80,740	\$63,740	27	%
As a percentage of total revenue	24	% 19	%	

Income from operations increased \$17.0 million in fiscal year 2014 as compared to fiscal year 2013, and increased as a percentage of total revenue from 19% to 24%. As discussed above, the increase was primarily the result of lower operating expenses in fiscal year 2014.

Income from Operations by Segment

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
OpenEdge segment	\$225,910	\$209,833	8	%
Data Connectivity and Integration segment	22,464	27,692	(19))%
Application Development and Deployment segment	(8,314)	(1,213)	(585))%
Other unallocated expenses	(159,320)	(172,572)	8	%
Total income from operations	\$80,740	\$63,740	27	%

Note that the following expenses are not allocated to our segments as we manage and report our business in these functional areas on a consolidated basis only: product development, corporate marketing, general and administration, amortization of acquired intangibles, stock-based compensation, restructuring, and acquisition-related expenses.

Other (Expense) Income

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
Interest income and other	\$(489)	\$1,201	(141))%
Foreign currency gain (loss)	(2,447)	(2,158)	(13))%
Total other income (expense), net	\$(2,936)	\$(957)	(207))%

As a percentage of total revenue (1)% — %

Total other expense increased \$2.0 million in fiscal year 2014 as compared to fiscal year 2013. The increase is primarily related to the realized loss incurred of \$2.6 million resulting from the sale of our remaining auction rate securities, which is included in

30

interest income and other, net for fiscal year 2014. The change in foreign currency losses is a result of movements in exchange rates and the impact on our intercompany receivables and payables denominated in currencies other than local currencies.

Provision for Income Taxes

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
Provision for income taxes	\$28,346	\$23,006	23	%
As a percentage of total revenue	9	% 7	%	

Our effective tax rate was 36% in fiscal year 2014 and 37% in fiscal year 2013. The lower rate in fiscal year 2014 is primarily due to the recognition of \$2.1 million of tax benefits associated with the expected distribution from a foreign subsidiary that will occur in the foreseeable future. This benefit was partially offset by a lower research and development credit in fiscal year 2014 compared to fiscal year 2013. In fiscal year 2014, there was only a one month benefit from the research and development credit because it expired on December 31, 2013 and was not reinstated as of November 30, 2014. Fiscal year 2013 benefited from a reinstatement of the research and development credit in January 2013 with a retroactive effective date to January 1, 2012 that allowed us to benefit from the credit in fiscal year 2013 for the period of January 1 to November 30, 2012.

Net Income

(In thousands)	Fiscal Year Ended		Percentage Change	
	November 30, 2014	November 30, 2013		
Income from continuing operations	\$49,458	\$39,777	24	%
Income (loss) from discontinued operations	—	35,130	(100))%
Net income	\$49,458	\$74,907	(34))%

Income (loss) from discontinued operations includes the revenues and direct expenses of the product lines we divested in fiscal year 2012 and the first quarter of fiscal year 2013 and the Apama product line, which was sold in July 2013. In fiscal year 2013, the income from discontinued operations includes the pre-tax gain on the sales of our Actional, Artix, DataXtend, ObjectStore, Orbacus, Orbix, Savvion and Sonic product lines of \$35.7 million and the pre-tax gain on sale of the Apama product line of \$35.9 million. See Note 7 to the Consolidated Financial Statements appearing in Item 8 of this Form 10-K for additional information related to our discontinued product lines.

Liquidity and Capital Resources

Cash, Cash Equivalents and Short-Term Investments

(In thousands)	November 30, 2015	November 30, 2014
Cash and cash equivalents	\$212,379	\$263,082
Short-term investments	28,900	20,186
Total cash, cash equivalents and short-term investments	\$241,279	\$283,268

The decrease in cash, cash equivalents and short-term investments of \$42.0 million since the end of fiscal year 2014 was primarily due to the acquisition of Telerik for cash consideration of \$246.3 million, which is net of cash acquired,

and repurchases of our common stock of \$32.9 million, offset by cash inflows from operations of \$104.5 million and net proceeds of \$142.6 million from the issuance of debt. Except as described below, there are no limitations on our ability to access our cash, cash equivalents and short-term investments.

Cash, cash equivalents and short-term investments held by our foreign subsidiaries was \$49.9 million and \$86.0 million at November 30, 2015 and 2014, respectively. At November 30, 2015 and 2014, the net undistributed earnings of our foreign subsidiaries was \$18.4 million and \$18.6 million, respectively, and are considered to be permanently reinvested. If we were to

repatriate the earnings, they would be subject to taxation in the U.S., but would primarily be offset by foreign tax credits. We do not believe this has a material impact on our liquidity.

Share Repurchase Program

In January 2014, our Board of Directors authorized a \$100.0 million share repurchase program. In fiscal year 2014, we repurchased and retired 2.3 million shares of our common stock for \$52.6 million. In fiscal year 2015, under the same authorization, we repurchased and retired 1.3 million shares for \$32.9 million, leaving \$14.5 million remaining under the authorization.

In September 2015, our Board of Directors authorized a new \$100.0 million share repurchase program, which increased the total authorization to \$114.5 million. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

Restructuring Activities

During the third quarter of fiscal year 2014, our management approved, committed to and initiated plans to make strategic changes to our organization to provide greater focus and agility in the delivery of next generation application development, deployment and integration solutions. Effective September 1, 2014, we began to operate as three distinct business segments: OpenEdge, Data Connectivity and Integration, and Application Development and Deployment, each with dedicated sales, product management and product marketing functions. In connection with the new organizational structure, we eliminated the position of global head of sales, as well as certain other positions within the sales and administrative organizations.

As part of the 2014 restructuring, for the twelve months ended November 30, 2015 and 2014, we incurred expenses of \$1.3 million and \$1.7 million, respectively, which are related to employee costs, including severance, health benefits, and outplacement services, but excluding stock-based compensation, and facilities costs, which include fees to terminate lease agreements and costs for unused space, net of sublease assumptions. The expenses are recorded as restructuring expenses in the consolidated statements of operations. We do not expect to incur additional material costs with respect to the 2014 restructuring. As of November 30, 2015, \$0.1 million of the cumulative expenses recognized under the 2014 restructuring remains unpaid and cash disbursements are expected to be made through the first quarter of fiscal year 2016.

During the first quarter of fiscal year 2015, we restructured our operations in connection with the acquisition of Telerik. This restructuring resulted in a reduction in redundant positions primarily within the administrative functions. This restructuring also resulted in the closing of two facilities as well as asset impairment charges for assets no longer deployed as a result of the acquisition. During the second and third quarters of fiscal year 2015, we incurred additional costs with respect to this restructuring, including reduction in redundant positions primarily within the product development function, as well as an impairment charge discussed below.

During the second quarter of fiscal year 2015, we decided to replace our existing cloud-based mobile application development technology with technology acquired as part of the acquisition of Telerik. Accordingly, we evaluated the ongoing value of the assets associated with this prior mobile technology and, based on this evaluation, we determined that the long-lived assets with a carrying amount of \$4.0 million were no longer recoverable, and were in fact impaired, and we wrote them down to their estimated fair value of \$0.1 million.

As part of this restructuring, for the fiscal year ended November 30, 2015, we incurred expenses of \$7.5 million. The expenses are recorded as restructuring expenses in the consolidated statements of operations. We do not expect to

incur additional material costs with respect to this restructuring. As of November 30, 2015, \$0.5 million of the cumulative expenses recognized under this restructuring remains unpaid and cash disbursements are expected to be made through the third quarter of fiscal year 2016.

During the fourth quarter of fiscal year 2015, our management approved, committed to and initiated plans to make strategic changes to our organization to further build on the focus gained from operating under our business segment structure and to enable stronger cross-collaboration among product management, marketing and sales teams and a tighter integration of the product management and product development teams. In connection with the new organizational structure, we no longer have presidents of our three segments, as well as certain other positions within the administrative organization. Our Chief Operating Officer, appointed during fiscal year 2015, assumed responsibility for driving the operations of our three segments. The organizational changes will not result in the closing of any of our facilities.

As part of this restructuring, for the fiscal year ended November 30, 2015, we incurred expenses of \$4.1 million. The expenses are recorded as restructuring expenses in the consolidated statements of operations. As we continue to operate under the new organization, which is still driven by our three segments, we may incur additional costs with respect to this restructuring, including severance charges and other employee costs. As of November 30, 2015, \$2.6 million of the cumulative expenses recognized under this restructuring remains unpaid and cash disbursements are expected to be made through the fourth quarter of fiscal year 2016.

Credit Facility

On December 2, 2014, we entered into a credit agreement (the Credit Agreement) with each of the lenders party thereto (the Lenders), JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A. and Citizens Bank, N.A., as Syndication Agents, Bank of America, N.A., Citibank, N.A. and Silicon Valley Bank, as Documentation Agents, and J.P. Morgan Securities LLC, as Sole Bookrunner and Sole Lead Arranger, providing for a \$150 million secured term loan and a \$150 million secured revolving credit facility, which may be made available in U.S. Dollars and certain other currencies. The revolving credit facility may be increased by up to an additional \$75 million if the existing or additional lenders are willing to make such increased commitments.

This Credit Agreement replaces our previous unsecured revolving credit facility dated August 15, 2011. The previous credit facility was to mature on August 15, 2016. Loans under the previous credit agreement could be paid before maturity in whole or in part at our option without penalty or premium. There were no revolving loans and \$0.7 million of letters of credit outstanding at the time of the termination of the previous credit agreement, which letters of credit were incorporated into the new credit facility.

We borrowed the \$150 million term loan included in the Credit Agreement, which was used to partially fund our acquisition of Telerik, as described in Note 8 to the Consolidated Financial Statements in Item 8 of this Form 10-K. The revolving credit facility has sublimits for swing line loans up to \$25.0 million and for the issuance of standby letters of credit in a face amount up to \$25.0 million. We expect to use the revolving credit facility for general corporate purposes, including potential acquisitions of other businesses, and may also use it for working capital.

Interest rates for the term loan and revolving credit facility are determined based on an index selected at our option and would range from 1.50% to 2.25% above the Eurodollar rate for Eurodollar-based borrowings or would range from 0.50% to 1.25% above the defined base rate for base rate borrowings, in each case based upon our leverage ratio. Additionally, we may borrow certain foreign currencies at rates set in the same range above the respective London interbank offered interest rates (LIBOR) for those currencies, based on our leverage ratio. A quarterly commitment fee on the undrawn portion of the revolving credit facility is required, ranging from 0.25% to 0.40% per annum, based upon our leverage ratio. The average interest rate of the credit facility during the fiscal year ended November 30, 2015 was 1.96% and the interest rate at November 30, 2015 was 2.0%.

The credit facility matures on December 2, 2019, when all amounts outstanding will be due and payable in full. The revolving credit facility does not require amortization of principal. The outstanding balance of the \$150 million term loan as of November 30, 2015 was \$144.4 million, with \$9.4 million due in the next 12 months. The term loan requires repayment of principal at the end of each fiscal quarter, beginning with the fiscal quarter ended February 28, 2015. The first eight payments are in the principal amount of \$1.9 million each, the following eight payments are in the principal amount of \$3.8 million each, the following three payments are in the principal amount of \$5.6 million each, and the last payment is of the remaining principal amount. Any amounts outstanding under the term loan thereafter would be due on the maturity date. The term loan may be prepaid before maturity in whole or in part at our option without penalty or premium. As of November 30, 2015, the carrying value of the term loan approximates the fair value, based on Level 2 inputs (observable market prices in less than active markets), as the interest rate is variable over the selected interest period and is similar to current rates at which we can borrow funds.

Costs incurred to obtain our long-term debt are recorded as debt issuance costs within other assets in our consolidated balance sheet as of November 30, 2015 and are amortized over the term of the debt agreement using the effective interest rate method. During fiscal year 2015, we recorded \$1.8 million of debt issuance costs. Amortization expense related to debt issuance costs of \$0.4 million, \$0.1 million, and a minimal amount for the fiscal years ended November 30, 2015, 2014, and 2013, respectively, is recorded within interest expense in our condensed consolidated statements of operations.

Revolving loans may be borrowed, repaid and reborrowed until December 2, 2019, at which time all amounts outstanding must be repaid. Accrued interest on the loans is payable quarterly in arrears with respect to base rate loans and at the end of each interest rate period (or at each three month interval in the case of loans with interest periods greater than three months) with

respect to LIBOR rate loans. We may prepay the loans or terminate or reduce the commitments in whole or in part at any time, without premium or penalty, subject to certain conditions and reimbursement of certain costs in the case of LIBOR rate loans. As of November 30, 2015, there were no amounts outstanding under the revolving line and \$0.5 million of letters of credit.

We are the sole borrower under the credit facility. Our obligations under the Credit Agreement are guaranteed by each of our material domestic subsidiaries and are secured by substantially all of our assets and such material domestic subsidiaries, as well as 100% of the capital stock of our domestic subsidiaries and 65% of the capital stock of our first-tier foreign subsidiaries, in each case, subject to certain exceptions as described in the Credit Agreement. Future material domestic subsidiaries will be required to guaranty our obligations under the Credit Agreement, and to grant security interests in substantially all of their assets to secure such obligations. The Credit Agreement generally prohibits, with certain exceptions, any other liens on our assets, subject to certain exceptions as described in the Credit Agreement.

The credit facility contains customary affirmative and negative covenants, including covenants that limit or restrict our ability to, among other things, grant liens, make investments, make acquisitions, incur indebtedness, merge or consolidate, dispose of assets, pay dividends or make distributions, repurchase stock, change the nature of the business, enter into certain transactions with affiliates and enter into burdensome agreements, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to maintain compliance with a consolidated fixed charge coverage ratio, a consolidated total leverage ratio and a consolidated senior secured leverage ratio. We are in compliance with these covenants as of November 30, 2015.

Auction Rate Securities

During the third quarter of fiscal year 2014, we sold all of our remaining auction rate securities (ARS) for \$26.2 million and received the proceeds during the quarter. The previously recorded unrealized losses associated with our ARS have been adjusted based on the sale prices and recorded as a realized loss of \$2.6 million during fiscal year 2014 within interest income and other, net in the consolidated statement of operations.

Cash Flows from Operating Activities

(In thousands)	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Net (loss) income	\$ (8,801	) \$ 49,458	\$ 74,907
Non-cash reconciling items included in net (loss) income	66,438	57,621	(26,326
Changes in operating assets and liabilities	46,903	615	(44,001
Net cash flows from operating activities	\$ 104,540	\$ 107,694	\$ 4,580

The decrease in cash generated from operations in fiscal year 2015 as compared to fiscal year 2014 was primarily due to lower income from operations during fiscal year 2015 as compared to fiscal year 2014 as a result of incremental costs resulting from the Telerik and BravePoint acquisitions, partially offset by changes in operating assets and liabilities mainly driven by the \$37.8 million increase in our total deferred revenue from the end of fiscal year 2014 due to the acquisition of Telerik. In addition, our gross accounts receivable as of November 30, 2015 decreased by \$2.3 million from the end of fiscal year 2014. Days sales outstanding (DSO) in accounts receivable was 52 days at the end of fiscal year 2015, compared to 63 days at the end of fiscal year 2014 and 66 days at the end of fiscal year 2013. We target a DSO range of 60 to 75 days.

The increase in cash generated from operations in fiscal year 2014 as compared to fiscal year 2013 was primarily due to \$56.3 million in payments made in fiscal year 2013 for income taxes related to the divestitures of the product lines discussed in Note 7 to the Consolidated Financial Statements in Item 8 of this Form 10-K, as well as an additional \$14.5 million in payments related to the restructuring activities in fiscal year 2013 as compared to fiscal year 2014 and higher income from operations. Total net tax payments made in fiscal year 2014 were \$7.3 million, compared to \$69.9 million in fiscal year 2013.

Cash Flows from Investing Activities

(In thousands)	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Net investment activity	\$ (9,552)	\$ 37,784	\$ 21,033
Purchases of property and equipment	(7,184)	(7,985)	(4,226)
Capitalized software costs	(1,661)	(3,816)	(836)
Payments for acquisitions, net of cash acquired	(246,275)	(24,493)	(9,450)
Proceeds from divestitures	4,500	3,300	111,120
Other investing activities	(36)	346	1,121
Net cash flows (used in) from investing activities	\$ (260,208)	\$ 5,136	\$ 118,762

Net cash inflows and outflows of our net investment activity is primarily a result of the timing of our purchases and maturities of securities, which are classified as short-term investments, including the sale of all of our remaining ARS during the third quarter of fiscal year 2014, as well as the timing of acquisitions and divestitures. In addition, we spent \$8.8 million on property and equipment and capitalized software costs in fiscal year 2015 as compared to \$11.8 million in the fiscal year 2014 and \$5.1 million in fiscal year 2013. Most significantly, however, we acquired Telerik during the first quarter of fiscal year 2015 for a net cash amount of \$246.3 million, which was funded through a combination of existing cash resources and a \$150 million term loan discussed below in Cash Flows from Financing Activities, compared to the acquisitions of Modulus and BravePoint during the second and fourth quarters of fiscal year 2014, respectively, for a net cash amount of \$24.5 million, and the acquisition of Rollbase during the second quarter of fiscal year 2013 for a net cash amount of \$9.5 million. We also received \$4.5 million in the first quarter of fiscal year 2015 from an escrow release related to the divestitures discussed in Note 7 to the Consolidated Financial Statements in Item 8 of this Form 10-K, as compared to \$3.3 million and \$111.1 million of proceeds related to the sale of divested product lines in fiscal years 2014 and 2013, respectively.

Cash Flows from Financing Activities

(In thousands)	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Proceeds from stock-based compensation plans	\$ 13,069	\$ 16,488	\$ 54,430
Repurchases of common stock	(32,868)	(52,604)	(276,537)
Proceeds from the issuance of debt, net of payments of principle and debt issuance costs	142,588	—	—
Other financing activities	(4,489)	(6,116)	(3,294)
Net cash flows from financing activities	\$ 118,300	\$ (42,232)	\$ (225,401)

During fiscal year 2015, we received net proceeds of \$142.6 million from the issuance of debt. We also received \$13.1 million in fiscal year 2015 from the exercise of stock options and the issuance of shares under our employee stock purchase plan as compared to \$16.5 million in fiscal year 2014 and \$54.4 million in fiscal year 2013. In fiscal year 2015, we repurchased \$32.9 million of our common stock, compared to repurchases of \$52.6 million and \$276.5 million, net of unsettled trades, in fiscal years 2014 and 2013, respectively.

Indemnification Obligations

We include standard intellectual property indemnification provisions in our licensing agreements in the ordinary course of business. Pursuant to our product license agreements, we will indemnify, hold harmless, and agree to

reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally business partners or customers, in connection with certain patent, copyright or other intellectual property infringement claims by third parties with respect to our products. Other agreements with our customers provide indemnification for claims relating to property damage or personal injury resulting from the performance of services by us or our subcontractors. Historically, our costs to defend lawsuits or settle claims relating to such indemnity agreements have been insignificant. Accordingly, the estimated fair value of these indemnification provisions is immaterial.

Liquidity Outlook

We believe that existing cash balances, together with funds generated from operations and amounts available under our new credit facility, will be sufficient to finance our operations and meet our foreseeable cash requirements through at least the next twelve months. We do not contemplate a need for any foreign repatriation of the earnings which are deemed permanently reinvested. Our foreseeable cash needs include our planned capital expenditures and share repurchases, lease commitments, restructuring obligations and other long-term obligations.

Revenue Backlog

(In thousands)	November 30, 2015	November 30, 2014
Deferred revenue, primarily related to unexpired maintenance and support contracts ⁽¹⁾	\$134,071	\$96,240
Multi-year licensing arrangements ⁽²⁾	19,862	20,244
Total revenue backlog	\$153,933	\$116,484

(1) The increase in deferred revenue compared to the prior year is directly a result of the acquisition of Telerik in the first quarter of fiscal year 2015.

Our backlog of orders not included on the balance sheet is not subject to our normal accounting controls for information that is either reported in or derived from our basic financial statements. Note that approximately \$17.7 (2) million and \$15.5 million of the multi-year licensing arrangements as of November 30, 2015 and 2014, respectively, relate to DataDirect OEM arrangements, while the remaining amount relates to arrangements in our OpenEdge segment.

We typically fulfill most of our software license orders within 30 days of acceptance of a purchase order. Assuming all other revenue recognition criteria have been met, we recognize software license revenue upon shipment of the product, or if delivered electronically, when the customer has the right to access the software. Because there are many elements governing when revenue is recognized, including when orders are shipped, credit approval obtained, completion of internal control processes over revenue recognition and other factors, management has some control in determining the period in which certain revenue is recognized. In addition, there is no industry standard for the definition of backlog and there may be an element of estimation in determining the amount. As such, direct comparisons with other companies may be difficult or potentially misleading.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Contractual Obligations

The following table details our contractual obligations as of November 30, 2015 (in thousands):

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating leases	\$26,243	\$7,060	\$10,718	\$7,573	\$892
Long-term debt	144,375	9,375	30,000	105,000	—
Purchase obligations ⁽¹⁾	1,630	1,195	435	—	—
Unrecognized tax benefits ⁽²⁾	—	—	—	—	—

Total	\$ 172,248	\$ 17,630	\$ 41,153	\$ 112,573	\$ 892
-------	------------	-----------	-----------	------------	--------

(1) Represents the fixed or minimum amounts due under purchase obligations for support service agreements.

Our other noncurrent liabilities in the consolidated balance sheet include unrecognized tax benefits and related interest and penalties. As of November 30, 2015, we had unrecognized tax benefits of \$2.6 million and an

(2) additional \$0.4 million for interest and penalties classified as noncurrent liabilities. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with these tax liabilities; therefore, such amounts are not included in the above contractual obligation table. See Note 15 to the Consolidated Financial Statements appearing in Item 8 of this Form 10-K for additional information.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with GAAP. We make estimates and assumptions in the preparation of our consolidated financial statements that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

We have identified the following critical accounting policies that require the use of significant judgments and estimates in the preparation of our consolidated financial statements. This listing is not a comprehensive list of all of our accounting policies. For further information regarding the application of these and other accounting policies, see Note 1 to the Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

Revenue Recognition

We derive our revenue primarily from software licenses and maintenance and services. Our license arrangements generally contain multiple elements, including software maintenance services, consulting services, and customer education services. We do not recognize revenue until the following four basic criteria are met: (i) persuasive evidence of an arrangement exists, (ii) our product has been shipped or, if delivered electronically, the customer has the right to access the software, (iii) the fee is fixed or determinable, and (iv) collection of the fee is probable.

Evidence of an arrangement generally consists of a contract or purchase order signed by the customer. In regard to delivery, we generally ship our software electronically and do not license our software with conditions of acceptance. If an arrangement does contain conditions of acceptance, we defer recognition of the revenue until the acceptance criteria are met or the period of acceptance has passed. Services are considered delivered as the work is performed or, in the case of maintenance, over the contractual service period. We assess whether a fee is fixed or determinable at the outset of the arrangement and consider the payment terms of the transaction, including transactions that extend beyond our customary payment terms. We do not license our software with a right of return. In assessing whether the collection of the fee is probable, we consider customer credit-worthiness, a customer's historical payment experience, economic conditions in the customer's industry and geographic location and general economic conditions. If we do not consider collection of a fee to be probable, we defer the revenue until the fees are collected, provided all other conditions for revenue recognition have been met.

In determining when to recognize revenue from a customer arrangement, we are often required to exercise judgment regarding the application of our accounting policies to a particular arrangement. The primary judgments used in evaluating revenue recognized in each period involve: determining whether collection is probable, assessing whether the fee is fixed or determinable, and determining the fair value of the maintenance and services elements included in multiple-element software arrangements. Such judgments can materially impact the amount of revenue that we record in a given period. While we follow specific and detailed rules and guidelines related to revenue recognition, we make and use significant management judgments and estimates in connection with the revenue recognized in any reporting period, particularly in the areas described above. If management made different estimates or judgments, material differences in the timing of the recognition of revenue could occur.

In regard to software license revenues, perpetual and term license fees are recognized as revenue when the software is delivered, no significant obligations or contingencies related to the software exist, other than maintenance, and all other revenue recognition criteria are met. We generally recognize revenue for products distributed through application partners and distributors on a sell-in basis.

Revenue from maintenance is recognized ratably over the service period. Maintenance revenue is deferred until the associated license is delivered to the customer and all other criteria for revenue recognition have been met. Revenue from other services, which are primarily consulting and customer education services, is generally recognized as the services are delivered to the customer, provided all other criteria for revenue recognition have been met.

We also offer products via a SaaS model, which is a subscription based model. Subscription revenue derived from these agreements is generally recognized on a straight-line basis over the subscription term, provided persuasive evidence of an arrangement exists, access to our software has been granted to the customer, the fee for the subscription is fixed or determinable, and collection of the subscription fee is probable.

We generally sell our software licenses with maintenance services and, in some cases, also with consulting services. For these multiple element arrangements, we allocate revenue to the delivered elements of the arrangement using the residual method, whereby revenue is allocated to the undelivered elements based on vendor specific objective evidence (or VSOE) of fair value of the undelivered elements with the remaining arrangement fee allocated to the delivered elements and recognized as revenue assuming all other revenue recognition criteria are met. For the undelivered elements, we determine VSOE of fair value to be the price charged when the undelivered element is sold separately. We determine VSOE for maintenance sold in connection with a software license based on the amount that will be separately charged for the maintenance renewal period. Substantially all license arrangements indicate the renewal rate for which customers may, at their option, renew their maintenance agreement. We determine VSOE for consulting services by reference to the amount charged for similar engagements when a software license sale is not involved. We review services sold separately on a periodic basis and update, when appropriate, our VSOE of fair value for such maintenance and services to ensure that it reflects our recent pricing experience. If VSOE of fair value for the undelivered elements cannot be established, we defer all revenue from the arrangement until the earlier of the point at which such sufficient VSOE does exist or all elements of the arrangement have been delivered, or if the only undelivered element is maintenance, then we recognize the entire fee ratably over the maintenance period. If payment of the software license fees is dependent upon the performance of consulting services or the consulting services are essential to the functionality of the licensed software, then we recognize both the software license and consulting fees using the completed contract method.

Sales taxes collected from customers and remitted to government authorities are excluded from revenue.

Deferred revenue generally results from contractual billings for which revenue has not been recognized and consists of the unearned portion of license, maintenance, and services fees. Deferred revenue expected to be recognized as revenue more than one year subsequent to the balance sheet date is included in long-term liabilities in the consolidated balance sheets.

Allowances for Doubtful Accounts and Sales Credit Memos

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. We establish this allowance using estimates that we make based on factors such as the composition of the accounts receivable aging, historical bad debts, changes in payment patterns, changes to customer creditworthiness and current economic trends. Historically, our actual losses have been consistent with the allowances recorded. However, if we used different estimates, or if the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, we would require additional provisions for doubtful accounts that would increase bad debt expense.

We also record an allowance for estimates of potential sales credit memos. This allowance is determined based on an analysis of historical credit memos issued and current economic trends, and is recorded as a reduction of revenue.

Goodwill and Intangible Asset Impairment

We had goodwill and net intangible assets of \$484.1 million at November 30, 2015. We evaluate goodwill and other intangible assets with indefinite useful lives, if any, for impairment annually or on an interim basis when events and circumstances arise that indicate impairment may have occurred. During the fourth quarter of fiscal year 2014, we changed the date of our annual impairment testing for goodwill from December 15 to October 31. We believe this change in accounting principle was preferable because it better aligned the timing of the annual goodwill impairment testing with our planning and budgeting process, which is a key component of the tests, and alleviates administrative burden during our year-end reporting period.

In performing our annual assessment, we may first perform a qualitative test to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value and if necessary, perform a quantitative test. To conduct the quantitative impairment test of goodwill, we compare the fair value of a reporting unit to its carrying value. If the reporting unit's carrying value exceeds its fair value, we record an impairment loss to the extent that the carrying value of goodwill exceeds its implied fair value. We estimate the fair values of our reporting units using discounted cash flow models or other valuation models, such as comparative transactions and market multiples. We must make assumptions about future cash flows, future operating plans, discount rates, comparable companies, market multiples, purchase price premiums and other factors in those models. Different assumptions and judgment determinations could yield different conclusions that would result in an impairment charge to income in the period that such change or determination was made.

When we evaluate potential impairments outside of our annual measurement date, judgment is required in determining whether an event has occurred that may impair the value of goodwill or intangible assets. Factors that could indicate that an impairment may exist include significant underperformance relative to plan or long-term projections, significant changes in business

strategy, significant negative industry or economic trends or a significant decline in our stock price for a sustained period of time.

The determination of reporting units also requires management judgment. We consider whether a reporting unit exists within a reportable segment based on the availability of discrete financial information that is regularly reviewed by segment management. Our three reporting units were OpenEdge, Data Connectivity and Integration, and Application Development and Deployment as of November 30, 2015.

During fiscal year 2015, we tested goodwill for impairment for each of our reporting units as of October 31, 2015. Our OpenEdge and Data Connectivity and Integration reporting units had fair values which significantly exceeded their carrying values as of the annual impairment date. Our Application Development and Deployment reporting unit (which includes the recently acquired Telerik) had a fair value in excess of carrying value by approximately 16% as of the annual impairment date.

We recorded no goodwill impairment losses in fiscal years 2015, 2014 or 2013.

Income Tax Accounting

We have a net deferred tax asset of \$3.9 million at November 30, 2015. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. We consider scheduled reversals of temporary differences, projected future taxable income, tax planning strategies and other matters in assessing the need for and the amount of a valuation allowance. If we were to change our assumptions or otherwise determine that we were unable to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period that such change or determination was made.

Management judgment is also required in evaluating whether a tax position taken or expected to be taken in a tax return, based on the weight of available evidence, indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. Management judgment is also required in measuring the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. If management made different estimates or judgments, material differences in the amount accrued for uncertain tax positions would occur.

Stock-Based Compensation

We recognize stock-based compensation based on the fair value of stock-based awards measured at the date of grant. Stock-based compensation is recognized over the requisite service period, which is generally the vesting period of the award, and is adjusted each period for anticipated forfeitures.

We estimate the fair value of each stock-based award on the measurement date using either the current market price, the Black-Scholes option valuation model, or the Monte Carlo Simulation valuation model. The Black-Scholes and Monte Carlo Simulation valuation models incorporate assumptions as to the expected stock price volatility, the expected term of the option, a risk-free interest rate and a dividend yield. The expected volatility is based on the historical volatility of our stock price. The expected term is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free interest rate is based on the yield of zero-coupon U.S. Treasury securities for the period that is commensurate with the expected option term at the time of grant. The expected dividend yield is based on our historical behavior and future expectations of dividend declarations.

Restructuring Charges

We periodically record restructuring charges resulting from restructuring our operations (including consolidations and/or relocations of operations), changes to our strategic plan, or managerial responses to declines in demand, increasing costs, or other market factors. The determination of restructuring charges requires management judgment and may include costs related to employee benefits, such as costs of severance and termination benefits, and estimates of costs for future lease commitments on excess facilities, net of estimated future sublease income. In determining the amount of the facilities charge, we are required to estimate such factors as future vacancy rates, the time required to sublet properties and sublease rates. These estimates are reviewed quarterly based on known real estate market conditions and the credit-worthiness of subtenants, and may result in revisions to established facility reserves.

Business Combinations

We allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The estimates used to value the net assets acquired are based in part on historical experience and information obtained from the management of the acquired company. We generally value the identifiable intangible assets acquired using a discounted cash flow model. The significant estimates used in valuing certain of the intangible assets include, but are not limited to: future expected cash flows of the asset, discount rates to determine the present value of the future cash flows, attrition rates of customers, and expected technology life cycles. We also estimate the useful lives of the intangible assets based on the expected period over which we anticipate generating economic benefit from the asset.

Our estimates of fair value are based on assumptions believed to be reasonable at that time. If management made different estimates or judgments, material differences in the fair values of the net assets acquired may result.

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes (ASU 2015-17). ASU 2015-17 requires entities to present deferred tax assets and deferred tax liabilities as noncurrent in a classified balance sheet. The ASU simplifies the current guidance, which requires entities to separately present deferred tax assets and deferred tax liabilities as current and noncurrent in a classified balance sheet. The guidance in ASU 2015-17 is required for annual reporting periods beginning after December 15, 2016, including interim periods within the reporting period. We early adopted the provisions of this ASU during the fourth quarter of fiscal year 2015 and applied it retrospectively. The adoption of ASU 2015-17 resulted in the reclassification of \$9.4 million of current deferred tax assets to noncurrent deferred tax assets and \$1.4 million of current deferred tax assets to a reduction in noncurrent deferred tax liabilities as of November 30, 2015. We retrospectively adjusted the November 30, 2014 consolidated balance sheet and related disclosures to reflect the reclassification of \$10.1 million of current deferred tax assets to noncurrent deferred tax assets and \$0.3 million of current deferred tax assets to a reduction in noncurrent deferred tax liabilities. Adoption of this standard did not impact results of operations, retained earnings, or cash flows in the current or previous interim and annual reporting periods.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The guidance in ASU 2015-03 is required for annual reporting periods beginning after December 15, 2015, including interim periods within the reporting period. Early adoption is permitted for financial statements that have not been previously issued. The Company will early adopt the new standard during fiscal year 2016 and expects the impact on the Company's consolidated balance sheets to be a reclassification of approximately \$1.4 million from other assets to long-term debt as of December 1, 2015.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (ASU 2014-12). ASU 2014-12 brings consistency to the accounting for share-based payment awards that require a specific performance target to be achieved in order for employees to become eligible to vest in the awards. This guidance is effective for all entities for reporting periods (including interim periods) beginning after December 15, 2015. Early adoption is permitted. In addition, all entities will have the option of applying the guidance either prospectively (i.e., only to awards granted or modified on or after the effective date of the ASU) or retrospectively. We are currently evaluating the effect that implementation of this update will have on our consolidated financial position and results of operations upon adoption.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new guidance is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. Early adoption is not permitted. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance. In July 2015, the FASB voted to defer the effective date of this ASU by one year for reporting periods beginning after December 15, 2017, with early adoption permitted as of the original effective date. As a result, the new effective date for the Company will be December 1, 2018. This update could impact the timing and amounts of revenue recognized. Management is currently assessing the impact the adoption of this ASU will have on the Company's consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of risks, including changes in interest rates affecting the return on our investments and foreign currency fluctuations. We have established policies and procedures to manage our exposure to fluctuations in interest rates and foreign currency exchange rates.

Exposure to market rate risk for changes in interest rates relates to our investment portfolio. We have not used derivative financial instruments in our investment portfolio. We place our investments with high-quality issuers and have policies limiting, among other things, the amount of credit exposure to any one issuer. We seek to limit default risk by purchasing only investment-grade securities. Our investments have an average remaining maturity of less than two years or interest-rate resets of less than 60 days and are primarily fixed-rate instruments. In addition, we have classified our debt securities as available-for-sale. The available-for-sale classification reduces the consolidated statements of operations exposure to interest rate risk if such investments are held until their maturity date because changes in fair value due to market changes in interest rates are recorded on the consolidated balance sheet in accumulated other comprehensive income. Based on a hypothetical 10% adverse movement in interest rates, the potential losses in future earnings, fair value of risk-sensitive instruments and cash flows are immaterial.

We generally use forward contracts that are not designated as hedging instruments to hedge economically the impact of the variability in exchange rates on accounts receivable denominated in certain foreign currencies. We do not enter into derivative instruments for speculative purposes. We generally do not hedge the net assets of our international subsidiaries. All forward contracts are recorded at fair value in other current assets or other accrued liabilities on the consolidated balance sheets at the end of each reporting period and expire from 90 days to one year. In fiscal year 2015, realized and unrealized losses of \$4.6 million from our forward contracts were recognized in foreign currency loss, net in the consolidated statement of operations. These losses were substantially offset by realized and unrealized gains on the offsetting positions.

Foreign currency translation exposure from a 10% movement of currency exchange rates would have a material impact on our reported revenue and net income. Based on a hypothetical 10% adverse movement in all foreign currency exchange rates, our revenue would be adversely affected by approximately 4%, or \$15 million, and our net income would be adversely affected by approximately 20%, or \$2 million (excluding any offsetting positive impact from our ongoing hedging programs), although the actual effects may differ materially from the hypothetical analysis.

The table below details outstanding foreign currency forward contracts at November 30, 2015 and 2014 where the notional amount is determined using contract exchange rates (in thousands):

	November 30, 2015		November 30, 2014	
	Notional Value	Fair Value	Notional Value	Fair Value
Forward contracts to sell U.S. dollars	\$76,748	\$(4,026)	) \$21,738	\$(13)
Forward contracts to purchase U.S. dollars	2,077	5	15,534	(89)
Total	\$78,825	\$(4,021)	) \$37,272	\$(102)

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Progress Software Corporation
Bedford, Massachusetts

We have audited the accompanying consolidated balance sheets of Progress Software Corporation and subsidiaries (the "Company") as of November 30, 2015 and 2014, and the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity, and cash flows for each of the three years in the period ended November 30, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Progress Software Corporation and subsidiaries as of November 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of November 30, 2015, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 29, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
January 29, 2016

PROGRESS SOFTWARE CORPORATION
Consolidated Balance Sheets

(In thousands, except share data)	November 30, 2015	November 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$212,379	\$263,082
Short-term investments	28,900	20,186
Total cash, cash equivalents and short-term investments	241,279	283,268
Accounts receivable (less allowances of \$2,193 in 2015 and \$2,592 in 2014)	66,459	68,311
Other current assets	15,671	24,028
Total current assets	323,409	375,607
Property and equipment, net	54,226	59,351
Intangible assets, net	114,113	20,578
Goodwill	369,985	232,836
Deferred tax assets	10,971	12,020
Other assets	4,419	2,364
Total assets	\$877,123	\$702,756
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt	9,375	—
Accounts payable	11,188	11,749
Accrued compensation and related taxes	29,720	20,815
Income taxes payable	2,941	2,246
Other accrued liabilities	21,465	25,936
Short-term deferred revenue	125,227	92,557
Total current liabilities	199,916	153,303
Long-term debt	135,000	—
Long-term deferred revenue	8,844	3,683
Deferred tax liabilities	7,112	—
Other noncurrent liabilities	3,787	2,525
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized, 1,000,000 shares; issued, none	—	—
Common stock, \$.01 par value; authorized, 200,000,000 shares; issued and outstanding, 50,579,539 in 2015 and 50,676,769 in 2014	506	507
Additional paid-in capital	227,424	209,271
Retained earnings	319,162	347,193
Accumulated other comprehensive loss	(24,628	) (13,726)
Total shareholders' equity	522,464	543,245
Total liabilities and shareholders' equity	\$877,123	\$702,756

See notes to consolidated financial statements.

PROGRESS SOFTWARE CORPORATION
Consolidated Statements of Operations

(In thousands, except per share data)	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Revenue:			
Software licenses	\$ 130,250	\$ 117,801	\$ 122,312
Maintenance and services	247,304	214,732	211,684
Total revenue	377,554	332,533	333,996
Costs of revenue:			
Cost of software licenses	5,979	6,396	6,889
Cost of maintenance and services	40,933	24,864	26,753
Amortization of acquired intangibles	16,830	2,999	1,340
Total costs of revenue	63,742	34,259	34,982
Gross profit	313,812	298,274	299,014
Operating expenses:			
Sales and marketing	124,867	101,496	105,997
Product development	86,924	58,965	57,336
General and administrative	57,294	48,292	55,994
Amortization of acquired intangibles	12,745	653	760
Restructuring expenses	12,989	2,266	11,983
Acquisition-related expenses	4,239	5,862	3,204
Total operating expenses	299,058	217,534	235,274
Income from operations	14,754	80,740	63,740
Other (expense) income:			
Interest expense	(3,788	) (572	) (645
Interest income and other, net	1,446	83	1,846
Foreign currency loss, net	(58	) (2,447	) (2,158
Total other expense, net	(2,400	) (2,936	) (957
Income from continuing operations before income taxes	12,354	77,804	62,783
Provision for income taxes	21,155	28,346	23,006
(Loss) income from continuing operations	(8,801	) 49,458	39,777
Income from discontinued operations, net	—	—	35,130
Net (loss) income	\$(8,801	) \$49,458	\$74,907
Earnings per share:			
Basic:			
Continuing operations	\$(0.17	) \$0.97	\$0.73
Discontinued operations	—	—	0.64
Net (loss) income per share	\$(0.17	) \$0.97	\$1.37
Diluted:			
Continuing operations	\$(0.17	) \$0.96	\$0.72
Discontinued operations	—	—	0.63
Net (loss) income per share	\$(0.17	) \$0.96	\$1.35
Weighted average shares outstanding:			
Basic	50,391	50,840	54,516
Diluted	50,391	51,466	55,379

See notes to consolidated financial statements.

PROGRESS SOFTWARE CORPORATION
 Consolidated Statements of Comprehensive (Loss) Income

(In thousands)	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Net (loss) income	\$ (8,801	) \$ 49,458	\$ 74,907
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(10,849	) (4,484	) (1,066
Unrealized (loss) gain on investments, net of tax (benefit) provision of \$(30) in 2015, \$1,400 in 2014, and \$99 in 2013	(53	) 2,417	171
Total other comprehensive (loss) income, net of tax	(10,902	) (2,067	) (895
Comprehensive (loss) income	\$ (19,703	) \$ 47,391	\$ 74,012

See notes to consolidated financial statements.

PROGRESS SOFTWARE CORPORATION
Consolidated Statements of Shareholders' Equity

(in thousands)	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Number of Shares	Amount				
Balance, December 1, 2012	59,595	\$596	\$299,737	\$348,830	\$ (10,764)	\$ 638,399
Issuance of stock under employee stock purchase plan	281	3	4,295	—	—	4,298
Exercise of stock options	2,722	27	50,439	—	—	50,466
Vesting of restricted stock units	697	7	—	—	—	7
Withholding tax payments related to net issuance of restricted stock units	(203)	(2)	(4,936)	—	—	(4,938)
Tax benefit arising from employee stock purchase plan, stock options and restricted share activity	—	—	(520)	—	—	(520)
Stock-based compensation	—	—	21,399	—	—	21,399
Treasury stock repurchases and retirements	(11,579)	(116)	(165,622)	(103,731)	—	(269,469)
Net income	—	—	—	74,907	—	74,907
Other comprehensive loss	—	—	—	—	(895)	(895)
Balance, November 30, 2013	51,513	515	204,792	320,006	(11,659)	513,654
Issuance of stock under employee stock purchase plan	203	2	3,611	—	—	3,613
Exercise of stock options	690	7	12,813	—	—	12,820
Vesting of restricted stock units	866	9	—	—	—	9
Withholding tax payments related to net issuance of restricted stock units	(289)	(3)	(6,604)	—	—	(6,607)
Tax benefit arising from employee stock purchase plan, stock options and restricted share activity	—	—	96	—	—	96
Stock-based compensation	—	—	24,873	—	—	24,873
Treasury stock repurchases and retirements	(2,306)	(23)	(30,310)	(22,271)	—	(52,604)
Net income	—	—	—	49,458	—	49,458
Other comprehensive loss	—	—	—	—	(2,067)	(2,067)
Balance, November 30, 2014	50,677	507	209,271	347,193	(13,726)	543,245

Issuance of stock under employee stock purchase plan	226	2	4,429	—	—	4,431	
Exercise of stock options	449	4	8,365	—	—	8,369	
Vesting of restricted stock units	714	7	—	—	—	7	
Withholding tax payments related to net issuance of restricted stock units	(215) (3) (5,628) —	—	(5,631)
Tax benefit arising from employee stock purchase plan, stock options and restricted share activity	—	2	608	—	—	610	
Stock-based compensation	—	—	24,004	—	—	24,004	
Treasury stock repurchases and retirements	(1,271) (13) (13,625) (19,230) —	(32,868)
Net loss	—	—	—	(8,801) —	(8,801)
Other comprehensive loss	—	—	—	—	(10,902) (10,902)
Balance, November 30, 2015	50,580	\$ 506	\$ 227,424	\$ 319,162	\$(24,628	) \$ 522,464

See notes to consolidated financial statements.

PROGRESS SOFTWARE CORPORATION
Consolidated Statements of Cash Flows

(In thousands)	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Cash flows from operating activities:			
Net (loss) income	\$ (8,801	) \$ 49,458	\$ 74,907
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	9,394	9,775	10,345
Amortization of acquired intangibles and other	32,286	5,521	4,090
Stock-based compensation	24,004	24,873	21,399
Changes in fair value of contingent consideration obligation	(1,508	) 89	9
Gain on sale of dispositions	—	—	(71,601
Loss on sale of auction rate securities	—	2,554	380
Loss on disposal of property and equipment	41	60	448
Asset impairment	4,962	—	111
Deferred income taxes	(1,845	) 15,034	9,261
Excess tax benefits from stock plans	(1,349	) (701	) (1,642
Allowances for bad debt and sales credits	453	416	874
Changes in operating assets and liabilities:			
Accounts receivable	3,747	(703	) 5,672
Other assets	5,428	8,222	(9,035
Accounts payable and accrued liabilities	(370	) (8,749	) (15,161
Income taxes payable	2,481	710	(20,294
Deferred revenue	35,617	1,135	(5,183
Net cash flows from operating activities	104,540	107,694	4,580
Cash flows from investing activities:			
Purchases of investments	(24,178	) (5,537	) (7,745
Sales and maturities of investments	14,626	17,125	28,753
Redemptions and sales of auction rate securities - available-for-sale	—	26,196	25
Purchases of property and equipment	(7,184	) (7,985	) (4,226
Capitalized software development costs	(1,661	) (3,816	) (836
Payments for acquisitions, net of cash acquired	(246,275	) (24,493	) (9,450
Proceeds from divestitures, net	4,500	3,300	111,120
Decrease in other noncurrent assets	(36	) 346	1,121
Net cash flows (used in) from investing activities	(260,208	) 5,136	118,762
Cash flows from financing activities:			
Proceeds from stock-based compensation plans	13,069	16,488	54,430
Purchase of common stock related to withholding taxes from issuance of restricted stock units	(5,631	) (6,607	) (4,936
Repurchase of common stock	(32,868	) (52,604	) (276,537
Excess tax benefit from stock plans	1,349	701	1,642
Proceeds from the issuance of debt	150,000	—	—
Payment of long-term debt	(5,625) —	—
Payment of issuance costs for long-term debt	(1,785) —	—
Payment of contingent consideration	(209	) (210) —
Net cash flows from (used in) financing activities	118,300	(42,232	) (225,401

Edgar Filing: PROGRESS SOFTWARE CORP /MA - Form 10-K

Effect of exchange rate changes on cash	(13,335	) (6,334	) (915)
Net (decrease) increase in cash and equivalents	(50,703	) 64,264	(102,974)
Cash and equivalents, beginning of year	263,082	198,818	301,792	
Cash and equivalents, end of year	\$212,379	\$263,082	\$198,818	

48

Supplemental disclosure:

Cash paid for income taxes, net of refunds of \$2,264 in 2015, \$1,769 in 2014, and \$4,453 in 2013	\$17,036	\$7,343	\$69,939
Cash paid for interest	\$2,725	\$—	\$—
Non-cash financing activity:			
Total fair value of restricted stock awards, restricted stock units and deferred stock units on date vested	\$18,714	\$20,093	\$16,758

See notes to consolidated financial statements.

PROGRESS SOFTWARE CORPORATION

Notes to Consolidated Financial Statements

Note 1: Nature of Business and Summary of Significant Accounting Policies

The Company

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 development, broad data integration and efficient data analysis. Our solutions are used across a variety of industries.

Our products are generally sold as perpetual licenses, but certain products also use term licensing models and our cloud-based offerings use a subscription based model. More than half of our worldwide license revenue is realized through relationships with indirect channel partners, principally application partners and original equipment manufacturers (OEMs). Application partners are independent software vendors (ISVs) that develop and market applications using our technology and resell our products in conjunction with sales of their own products that incorporate our technology. OEMs are companies that embed our products into their own software products or devices.

We operate in North America and Latin America (the Americas); Europe, the Middle East and Africa (EMEA); and the Asia Pacific region, through local subsidiaries as well as independent distributors.

Accounting Principles

We prepare our consolidated financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries (all of which are wholly-owned). We eliminate all intercompany balances and transactions.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, management evaluates its estimates and records changes in estimates in the period in which they become known. These estimates are based on historical data and experience, as well as various other assumptions that management believes to be reasonable under the circumstances. The most significant estimates relate to the timing and amounts of revenue recognition, the realization of tax assets and estimates of tax liabilities, fair values of investments in marketable securities, intangible assets and goodwill valuations, the recognition and disclosure of contingent liabilities, the collectability of accounts receivable, and assumptions used to determine the fair value of stock-based compensation. Actual results could differ from those estimates.

Foreign Currency Translation

The functional currency of most of our foreign subsidiaries is the local currency in which the subsidiary operates. For foreign operations where the local currency is considered to be the functional currency, we translate assets and liabilities into U.S. dollars at the exchange rate on the balance sheet date. We translate income and expense items at average rates of exchange prevailing during each period. We accumulate translation adjustments in accumulated other comprehensive loss, a component of shareholders' equity.

For foreign operations where the U.S. dollar is considered to be the functional currency, we remeasure monetary assets and liabilities into U.S. dollars at the exchange rate on the balance sheet date and non-monetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. We translate income and expense items at average rates of exchange prevailing during each period. We recognize remeasurement adjustments currently as a component of foreign currency loss, net in the statements of operations.

Transaction gains or losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in foreign currency loss, net in the statements of operations as incurred.

Cash Equivalents and Investments

Cash equivalents include short-term, highly liquid investments purchased with remaining maturities of three months or less. As of November 30, 2015, all of our cash equivalents were invested in money market funds.

We classify investments, state and municipal bond obligations, U.S. treasury and government agency bonds, and corporate bonds and notes, as investments available-for-sale, which are stated at fair value. Prior period investments also included auction rate securities (ARS). We include aggregate unrealized holding gains and losses, net of taxes, on available-for-sale securities as a component of accumulated other comprehensive loss in shareholders' equity. We include realized gains and losses in interest income and other, net on the consolidated statements of operations.

We monitor our investment portfolio for impairment on a periodic basis. In the event that the carrying value of an investment exceeds its fair value and the decline in value is determined to be other than temporary, an impairment charge is recorded and a new cost basis for the investment is established. In determining whether an other-than-temporary impairment exists, we consider the nature of the investment, the length of time and the extent to which the fair value has been less than cost, and our intent and ability to continue holding the security for a period sufficient for an expected recovery in fair value.

Allowances for Doubtful Accounts and Sales Credit Memos

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. We establish this allowance using estimates that we make based on factors such as the composition of the accounts receivable aging, historical bad debts, changes in payment patterns, changes to customer creditworthiness and current economic trends.

We also record an allowance for estimates of potential sales credit memos. This allowance is determined based on an analysis of historical credit memos issued and current economic trends, and is recorded as a reduction of revenue.

A summary of activity in the allowance for doubtful accounts is as follows (in thousands):

	November 30, 2015	November 30, 2014	November 30, 2013
Beginning balance	\$1,646	\$2,250	\$2,278
Charge to costs and expenses	271	365	649
Write-offs and other	(512	) (949	) (688
Translation adjustments	16	(20	) 11
Ending balance	\$1,421	\$1,646	\$2,250

A summary of activity in the allowance for sales credit memos is as follows (in thousands):

	November 30, 2015	November 30, 2014	November 30, 2013
Beginning balance	\$946	\$903	\$746
Charge to revenue	182	51	225
Write-offs and other	(332	) (6	) (71
Translation adjustments	(24	) (2	) 3

Ending balance	\$772	\$946	\$903
----------------	-------	-------	-------

51

Concentrations of Credit Risk

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments, derivative instruments and trade receivables. We have cash investment policies which, among other things, limit investments to investment-grade securities. We hold our cash and cash equivalents, investments and derivative instrument contracts with high quality financial institutions and we monitor the credit ratings of those institutions. We perform ongoing credit evaluations of our customers, and the risk with respect to trade receivables is further mitigated by the diversity, both by geography and by industry, of the customer base. No single customer represented more than 10% of consolidated accounts receivable or revenue in fiscal years 2015, 2014 or 2013.

Fair Value of Financial Instruments

The carrying amount of our cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximates fair value due to the short-term nature or market interest rates of these items. We base the fair value of short-term investments on quoted market prices or other relevant information generated by market transactions involving identical or comparable assets. Previous to their sale during fiscal year 2014, the fair value of ARS was based on a valuation methodology utilizing discounted cash flow models due to the absence of quoted market prices. We measure and record derivative financial instruments at fair value. See Note 4 for further discussion of financial instruments that are carried at fair value on a recurring and nonrecurring basis.

Derivative Instruments

We record all derivatives, whether designated in hedging relationships or not, on the consolidated balance sheets at fair value. We use derivative instruments to manage exposures to fluctuations in the value of foreign currencies, which exist as part of our ongoing business operations. Certain assets and forecasted transactions are exposed to foreign currency risk. Our objective for holding derivatives is to eliminate or reduce the impact of these exposures. We periodically monitor our foreign currency exposures to enhance the overall economic effectiveness of our foreign currency hedge positions. Principal currencies hedged include the euro, British pound, Brazilian real, Indian rupee, and Australian dollar. We do not enter into derivative instruments for speculative purposes, nor do we hold or issue any derivative instruments for trading purposes.

We enter into certain derivative instruments that do not qualify for hedge accounting and are not designated as hedges. Although these derivatives do not qualify for hedge accounting, we believe that such instruments are closely correlated with the underlying exposure, thus managing the associated risk. The gains or losses from changes in the fair value of such derivative instruments that are not accounted for as hedges are recognized in earnings in foreign currency loss, net in the consolidated statements of operations.

Property and Equipment

We record property and equipment at cost. We record property and equipment purchased in business combinations at fair value, which is then treated as the cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the useful lives of the assets. Useful lives by major asset class are as follows: computer equipment and software, 3 to 7 years; buildings and improvements, 5 to 39 years; and furniture and fixtures, 5 to 7 years. Repairs and maintenance costs are expensed as incurred.

Product Development and Internal Use Software

Expenditures for product development, other than internal use software costs, are expensed as incurred. Product development expenses primarily consist of personnel and related expenses for our product development staff, the cost of various third-party contractor fees, and allocated overhead expenses.

Software development costs associated with internal use software are incurred in three stages of development: the preliminary project stage, the application development stage, and the post-implementation stage. Costs incurred during the preliminary project and post-implementation stages are expensed as incurred. Certain internal and external qualifying costs incurred during the application development stage are capitalized as property and equipment. Internal use software is amortized on a straight-line basis over its estimated useful life of three years, beginning when the software is ready for its intended use.

During the fiscal years ended November 30, 2015, 2014, and 2013, there were \$1.3 million, \$4.1 million, and \$0.8 million of internal use software development costs capitalized, respectively. Amortization expense related to internal use software totaled

\$1.3 million, \$0.7 million, and \$0 during the fiscal years ended November 30, 2015, 2014, and 2013, respectively. During the second and fourth quarters of fiscal year 2015, we incurred impairment charges of \$1.5 million and \$1.0 million, respectively, related to software development costs capitalized for assets no longer deployed (Note 14).

Goodwill, Intangible Assets and Long-Lived Assets

Goodwill is the amount by which the cost of acquired net assets in a business combination exceeded the fair value of net identifiable assets on the date of purchase. We evaluate goodwill and other intangible assets with indefinite useful lives, if any, for impairment annually or on an interim basis when events and circumstances arise that indicate impairment may have occurred.

In performing our annual assessment, we may first perform a qualitative test and if necessary, perform a quantitative test. To conduct the quantitative impairment test of goodwill, we compare the fair value of a reporting unit to its carrying value. If the reporting unit's carrying value exceeds its fair value, we record an impairment loss to the extent that the carrying value of goodwill exceeds its implied fair value. We estimate the fair values of our reporting units using discounted cash flow models or other valuation models, such as comparative transactions and market multiples.

Intangible assets are comprised of purchased technology, customer-related assets, and trademarks and trade names acquired through business combinations (Note 8). All of our intangible assets are amortized using the straight-line method over their estimated useful life.

We periodically review long-lived assets (primarily property and equipment) and intangible assets with finite lives for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. We base each impairment test on a comparison of the undiscounted cash flows to the carrying value of the asset or asset group. If impairment is indicated, we write down the asset to its estimated fair value based on a discounted cash flow analysis. In fiscal year 2013, we recorded an impairment loss of \$0.1 million related to assets no longer deployed as part of cost reduction strategies associated with our 2012 restructuring action. In fiscal year 2015, we recorded impairment losses totaling \$5.0 million, primarily as a result of the decision to replace existing technology with technology acquired from a business combination (Note 14). We recorded no impairment losses in fiscal years 2014 and 2013.

Comprehensive Loss

The components of comprehensive loss include, in addition to net (loss) income, unrealized gains and losses on investments and foreign currency translation adjustments.

Accumulated other comprehensive loss by components, net of tax (in thousands):

	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) on investments	Total	
Balance, December 1, 2013	\$ (9,249	) \$ (2,410	) \$ (11,659)
Other comprehensive (loss) income before reclassifications	(4,484	) 800	(3,684)
Amounts reclassified from accumulated other comprehensive (loss) income	—	1,617	1,617	
Net other comprehensive (loss) income	\$ (4,484	) \$ 2,417	\$ (2,067)
Balance, December 1, 2014	\$ (13,733	) \$ 7	\$ (13,726)
Other comprehensive loss before reclassifications	(10,849	) (53	) (10,902)

Edgar Filing: PROGRESS SOFTWARE CORP /MA - Form 10-K

Net other comprehensive loss	\$ (10,849	)	\$ (53	)	\$ (10,902)
Balance, November 30, 2015	\$ (24,582	)	\$ (46	)	\$ (24,628)

The amounts reclassified from accumulated other comprehensive income (loss) for fiscal year 2014 relate to realized losses on available-for-sale ARS, which are recorded in interest income and other, net in the consolidated statements of operations. The amounts reclassified are presented net of tax of \$0.9 million for fiscal year 2014. The tax effect on accumulated unrealized losses on investments was minimal as of November 30, 2015 and November 30, 2014 and \$1.4 million at November 30, 2013.

Revenue Recognition

We derive our revenue primarily from software licenses and maintenance and services. Our license arrangements generally contain multiple elements, including software maintenance services, consulting services, and customer education services. We do not recognize revenue until the following four basic criteria are met: (i) persuasive evidence of an arrangement exists, (ii) our product has been shipped or, if delivered electronically, the customer has the right to access the software, (iii) the fee is fixed or determinable, and (iv) collection of the fee is probable.

Evidence of an arrangement generally consists of a contract or purchase order signed by the customer. In regard to delivery, we generally ship our software electronically and do not license our software with conditions of acceptance. If an arrangement does contain conditions of acceptance, we defer recognition of the revenue until the acceptance criteria are met or the period of acceptance has passed. Services are considered delivered as the work is performed or, in the case of maintenance, over the contractual service period. We assess whether a fee is fixed or determinable at the outset of the arrangement and consider the payment terms of the transaction, including transactions that extend beyond our customary payment terms. We do not license our software with a right of return. In assessing whether the collection of the fee is probable, we consider customer credit-worthiness, a customer's historical payment experience, economic conditions in the customer's industry and geographic location and general economic conditions. If we do not consider collection of a fee to be probable, we defer the revenue until the fees are collected, provided all other conditions for revenue recognition have been met.

In determining when to recognize revenue from a customer arrangement, we are often required to exercise judgment regarding the application of our accounting policies to a particular arrangement. The primary judgments used in evaluating revenue recognized in each period involve: determining whether collection is probable, assessing whether the fee is fixed or determinable, and determining the fair value of the maintenance and services elements included in multiple-element software arrangements. Such judgments can materially impact the amount of revenue that we record in a given period. While we follow specific and detailed rules and guidelines related to revenue recognition, we make and use significant management judgments and estimates in connection with the revenue recognized in any reporting period, particularly in the areas described above. If management made different estimates or judgments, material differences in the timing of the recognition of revenue could occur.

In regard to software license revenues, perpetual and term license fees are recognized as revenue when the software is delivered, no significant obligations or contingencies related to the software exist, other than maintenance, and all other revenue recognition criteria are met. We generally recognize revenue for products distributed through application partners and distributors on a sell-in basis.

Revenue from maintenance is recognized ratably over the service period. Maintenance revenue is deferred until the associated license is delivered to the customer and all other criteria for revenue recognition have been met. Revenue from other services, which are primarily consulting and customer education services, is generally recognized as the services are delivered to the customer, provided all other criteria for revenue recognition have been met.

We also offer products via a software-as-a-service (SaaS) model, which is a subscription based model. Subscription revenue derived from these agreements is generally recognized on a straight-line basis over the subscription term, provided persuasive evidence of an arrangement exists, access to our software has been granted to the customer, the fee for the subscription is fixed or determinable, and collection of the subscription fee is probable.

We generally sell our software licenses with maintenance services and, in some cases, also with consulting services. For these multiple element arrangements, we allocate revenue to the delivered elements of the arrangement using the residual method, whereby revenue is allocated to the undelivered elements based on vendor specific objective evidence (or VSOE) of fair value of the undelivered elements with the remaining arrangement fee allocated to the

delivered elements and recognized as revenue assuming all other revenue recognition criteria are met. For the undelivered elements, we determine VSOE of fair value to be the price charged when the undelivered element is sold separately. We determine VSOE for maintenance sold in connection with a software license based on the amount that will be separately charged for the maintenance renewal period. Substantially all license arrangements indicate the renewal rate for which customers may, at their option, renew their maintenance agreement. We determine VSOE for consulting services by reference to the amount charged for similar engagements when a software license sale is not involved. We review services sold separately on a periodic basis and update, when appropriate, our VSOE of fair value for such maintenance and services to ensure that it reflects our recent pricing experience. If VSOE of fair value for the undelivered elements cannot be established, we defer all revenue from the arrangement until the earlier of the point at which such sufficient VSOE does exist or all elements of the arrangement have been delivered, or if the only undelivered element is maintenance, then we recognize the entire fee ratably over the maintenance period. If payment of the software license fees is dependent upon the performance of consulting services or the consulting services are essential to the

functionality of the licensed software, then we recognize both the software license and consulting fees using the completed contract method.

Sales taxes collected from customers and remitted to government authorities are excluded from revenue.

Deferred revenue generally results from contractual billings for which revenue has not been recognized and consists of the unearned portion of license, maintenance, and services fees. Deferred revenue expected to be recognized as revenue more than one year subsequent to the balance sheet date is included in long-term liabilities in the consolidated balance sheets.

Advertising Costs

Advertising costs are expensed as incurred and were \$2.5 million, \$1.8 million, and \$1.6 million in fiscal years 2015, 2014, and 2013, respectively.

Warranty Costs

We make periodic provisions for expected warranty costs. Historically, warranty costs have been insignificant.

Stock-Based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date and recognized over the relevant service period. We estimate the fair value of each stock-based award on the measurement date using either the current market price of the stock, the Black-Scholes option valuation model, or the Monte Carlo Simulation valuation model. The Black-Scholes and Monte Carlo Simulation valuation models incorporate assumptions as to stock price volatility, the expected life of options or awards, a risk-free interest rate and dividend yield. We recognize stock-based compensation expense related to options and restricted stock units on a straight-line basis over the service period of the award, which is generally 4 or 5 years for options and 3 years for restricted stock units. We recognize stock-based compensation expense related to performance stock units and our employee stock purchase plan using an accelerated attribution method.

Acquisition-Related Costs

Acquisition-related costs are expensed as incurred and include those costs incurred as a result of a business combination. These costs consist of professional service fees, including third-party legal and valuation-related fees, as well as retention fees and earn-out payments treated as compensation expense. We incurred \$4.2 million of acquisition-related costs, which are included in acquisition-related expenses in our consolidated statement of operations for the fiscal year ended November 30, 2015.

Restructuring Charges

Our restructuring charges are comprised primarily of costs related to property abandonment, including future lease commitments, net of any sublease income, and associated leasehold improvements; and employee termination costs related to headcount reductions. We recognize and measure restructuring liabilities initially at fair value when the liability is incurred.

Income Taxes

We provide for deferred income taxes resulting from temporary differences between financial and taxable income. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized.

We recognize and measure uncertain tax positions taken or expected to be taken in a tax return utilizing a two-step approach. We first determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is that we measure the tax benefit as the largest amount that is more likely than not to be realized upon ultimate settlement. We recognize interest and penalties related to uncertain tax positions in our provision for income taxes on our consolidated statements of operations.

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes (ASU 2015-17). ASU 2015-17 requires entities to present deferred tax assets and deferred tax liabilities as noncurrent in a classified balance sheet. The ASU simplifies the current guidance, which requires entities to separately present deferred tax assets and deferred tax liabilities as current and

noncurrent in a classified balance sheet. The guidance in ASU 2015-17 is required for annual reporting periods beginning after December 15, 2016, including interim periods within the reporting period. We early adopted the provisions of this ASU during the fourth quarter of fiscal year 2015 and applied it retrospectively. The adoption of ASU 2015-17 resulted in the reclassification of \$9.4 million of current deferred tax assets to noncurrent deferred tax assets and \$1.4 million of current deferred tax assets to a reduction in noncurrent deferred tax liabilities as of November 30, 2015. We retrospectively adjusted the November 30, 2014 consolidated balance sheet and related disclosures to reflect the reclassification of \$10.1 million of current deferred tax assets, of which \$9.8 million was reclassified to noncurrent deferred tax assets as \$0.3 million in deferred tax liabilities was eliminated through netting. Adoption of this standard did not impact results of operations, retained earnings, or cash flows in the current or previous interim and annual reporting periods.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The guidance in ASU 2015-03 is required for annual reporting periods beginning after December 15, 2015, including interim periods within the reporting period. Early adoption is permitted for financial statements that have not been previously issued. The Company is considering early adoption of the new standard and expects the impact on the Company's consolidated balance sheets to be a reclassification of approximately \$1.4 million from other assets to long-term debt as of December 1, 2015.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (ASU 2014-12). ASU 2014-12 brings consistency to the accounting for share-based payment awards that require a specific performance target to be achieved in order for employees to become eligible to vest in the awards. This guidance is effective for all entities for reporting periods (including interim periods) beginning after December 15, 2015. Early adoption is permitted. In addition, all entities will have the option of applying the guidance either prospectively (i.e., only to awards granted or modified on or after the effective date of the ASU) or retrospectively. We are currently evaluating the effect that implementation of this update will have on our consolidated financial position and results of operations upon adoption.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new guidance is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. Early adoption is not permitted. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance. In July 2015, the FASB voted to defer the effective date of this ASU by one year for reporting periods beginning after December 15, 2017, with early adoption permitted as of the original effective date. As a result, the new effective date for the Company will be December 1, 2018. This update could impact the timing and amounts of revenue recognized. Management is currently assessing the impact the adoption of this ASU will have on the Company's consolidated financial statements.

Note 2: Cash, Cash Equivalents and Investments

A summary of our cash, cash equivalents and available-for-sale investments at November 30, 2015 is as follows (in thousands):

	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	\$ 186,241	\$ —	\$ —	\$ 186,241

Edgar Filing: PROGRESS SOFTWARE CORP /MA - Form 10-K

Money market funds	26,138	—	—	26,138
State and municipal bond obligations	20,387	30	—	20,417
U.S. treasury bonds	3,109	—	(15	) 3,094
U.S. government agency bonds	1,645	—	(4	) 1,641
Corporate bonds	3,756	—	(8	) 3,748
Total	\$241,276	\$30	\$(27	) \$241,279

56

A summary of our cash, cash equivalents and available-for-sale investments at November 30, 2014 is as follows (in thousands):

	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	\$195,189	\$—	\$—	\$195,189
Money market funds	67,893	—	—	67,893
State and municipal bond obligations	20,100	86	—	20,186
Total	\$283,182	\$86	\$—	\$283,268

Such amounts are classified on our consolidated balance sheets as follows (in thousands):

	November 30, 2015		November 30, 2014	
	Cash and Equivalents	Short-Term Investments	Cash and Equivalents	Short-Term Investments
Cash	\$186,241	\$—	\$195,189	\$—
Money market funds	26,138	—	67,893	—
State and municipal bond obligations	—	20,417	—	20,186
U.S. treasury bonds	—	3,094	—	—
U.S. government agency bonds	—	1,641	—	—
Corporate bonds	—	3,748	—	—
Total	\$212,379	\$28,900	\$263,082	\$20,186

The fair value of debt securities by contractual maturity is as follows (in thousands):

	November 30, 2015	November 30, 2014
Due in one year or less	\$15,945	\$11,140
Due after one year ⁽¹⁾	12,955	9,046
Total	\$28,900	\$20,186

Includes state and municipal bond obligations, U.S. treasury and government agency bonds, and corporate bonds, (1) which are securities representing investments available for current operations and are classified as current in the consolidated balance sheets.

During fiscal years 2014 and 2013, we sold all of our remaining ARS. The previously recorded unrealized losses associated with our ARS were adjusted based on the sale prices and recorded as a realized loss of \$2.6 million and \$0.4 million during fiscal years 2014 and 2013, respectively, within interest income and other, net in the consolidated statement of operations.

We did not hold any investments with continuous unrealized losses as of November 30, 2015 and November 30, 2014.

Note 3: Derivative Instruments

We generally use forward contracts that are not designated as hedging instruments to hedge economically the impact of the variability in exchange rates on intercompany accounts receivable and loans receivable denominated in certain foreign currencies. We generally do not hedge the net assets of our international subsidiaries. All forward contracts are recorded at fair value in other current assets or other accrued liabilities on the consolidated balance sheets at the end of each reporting period and expire from 90 days to one year. In fiscal years 2015, 2014 and 2013, realized and

unrealized (losses) gains of \$(4.6) million, \$(1.5) million, and \$1.1 million, respectively, from our forward contracts were recognized in foreign currency loss, net in the consolidated statements of operations. These gains and losses were substantially offset by realized and unrealized losses and gains on the offsetting positions.

The table below details outstanding foreign currency forward contracts where the notional amount is determined using contract exchange rates (in thousands):

	November 30, 2015		November 30, 2014	
	Notional Value	Fair Value	Notional Value	Fair Value
Forward contracts to sell U.S. dollars	\$76,748	\$(4,026	) \$21,738	\$(13
Forward contracts to purchase U.S. dollars	2,077	5	15,534	(89
Total	\$78,825	\$(4,021	) \$37,272	\$(102

Note 4: Fair Value Measurements

Recurring Fair Value Measurements

The following table details the fair value measurements within the fair value hierarchy of our financial assets at November 30, 2015 (in thousands):

	Total Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets				
Money market funds	\$26,138	\$26,138	\$—	\$—
State and municipal bond obligations	20,417	—	20,417	—
U.S. treasury bonds	3,094	—	3,094	—
U.S. government agency bonds	1,641	—	1,641	—
Corporate bonds	3,748	—	3,748	—
Liabilities				
Foreign exchange derivatives	\$(4,021	) \$—	\$(4,021) \$—

The following table details the fair value measurements within the fair value hierarchy of our financial assets at November 30, 2014 (in thousands):

	Total Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets				
Money market funds	\$67,893	\$67,893	\$—	\$—
State and municipal bond obligations	20,186	—	20,186	—
Foreign exchange derivatives	(102	) —	(102) —
Liabilities				
Contingent consideration	\$(1,717	) \$—	\$—	\$(1,717

When developing fair value estimates, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted market prices to measure fair value. The valuation technique used to measure fair value for our Level 1 and Level 2 assets is a market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets. If market prices are not available, the fair value measurement is based on models that use primarily market based parameters including yield curves, volatilities, credit ratings and currency rates. In certain cases where market rate assumptions are not available, we are required to make judgments about assumptions market participants would use to estimate the fair value of a financial instrument.

We have also classified contingent consideration related to the Rollbase, Inc. (Rollbase) and Modulus LLC (Modulus) acquisitions, which occurred in the second quarter of fiscal years 2013 and 2014, respectively, within Level 3 of the fair value hierarchy because the fair values are derived using significant unobservable inputs, which include discount rates and probability-weighted cash flows. We determined the fair value of our contingent consideration obligations based on a

58

probability-weighted income approach derived from probability assessments of the attainment of certain milestones. We establish discount rates to be utilized in our valuation models based on the cost to borrow that would be required by a market participant for similar instruments. In determining the probability of attaining certain milestones, we utilize data regarding similar milestone events from our own experience. On a quarterly basis, we reassess the probability factors associated with the milestones for our contingent consideration obligations. Significant judgment is employed in determining the appropriateness of these key assumptions as of the acquisition date and for each subsequent period.

The key assumption as of November 30, 2015 related to the contingent consideration for the acquisition of Modulus used in the model is a probability of 0% that the year two milestone associated with the contingent consideration will be achieved. As such, we reduced the balance of the liability to \$0 during fiscal year 2015. The year one milestone was not achieved as of May 31, 2015, which was the end of the first milestone period, and as a result, the liability was also reduced to \$0 during the fiscal year ended November 30, 2015.

In regard to the contingent consideration related to the acquisition of Rollbase, the contingency was relieved as of May 31, 2015 as the milestones associated with the contingent consideration were achieved as of this date. As such, the amount of the payment related to the contingent consideration was known as of May 31, 2015 and was based on actual results. We transferred the contingent earn out liability to a Level 2 fair value measurement as the value as of May 31, 2015 was based on observable inputs. The payment was made in June 2015 in the amount of \$0.2 million; as such, there is no longer a liability related to the Rollbase contingent consideration as of November 30, 2015.

The following table reflects the activity for our contingent consideration obligations measured at fair value using Level 3 inputs for each year presented (in thousands):

	November 30, 2015	November 30, 2014
Balance, beginning of year	\$1,717	\$388
Acquisition date fair value of contingent consideration	—	1,450
Payments of contingent consideration	(209	) (210
Changes in fair value of contingent consideration obligation	(1,508	) 89
Balance, end of year	\$—	\$1,717

Nonrecurring Fair Value Measurements

During fiscal year 2015, certain assets have been measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3). During the second quarter of fiscal year 2015, based on the fair value measurement, we recorded a \$4.0 million asset impairment charge related to our cloud-based mobile application development technology as a result of our decision to replace our existing cloud-based mobile application development technology with technology acquired in connection with the acquisition of Telerik AD (Note 14). During the fourth quarter of fiscal year 2015, based on the fair value measurement, we recorded a \$1.0 million asset impairment charge related to the abandonment of certain assets (Note 14).

The following table presents nonrecurring fair value measurements as of November 30, 2015 (in thousands):

	Total Fair Value	Total Losses
Long-lived assets	\$60	\$4,962

The fair value measurements were determined using an income-based valuation methodology, which incorporates unobservable inputs, including discounted expected cash flows over the remaining estimated useful life of the

technology, thereby classifying the fair value as a Level 3 measurement within the fair value hierarchy. The expected cash flows include subscription fees to be collected from existing customers using the platform, offset by hosting fees and compensation related costs to be incurred over the remaining estimated useful lives.

We did not have any nonrecurring fair value measurements as of November 30, 2014.

Note 5: Property and Equipment

Property and equipment consists of the following (in thousands):

	November 30, 2015	November 30, 2014
Computer equipment and software	\$46,183	\$50,073
Land, buildings and leasehold improvements	53,590	52,668
Furniture and fixtures	6,889	6,827
Capitalized software development costs	2,955	4,983
Property and equipment, gross	109,617	114,551
Less accumulated depreciation and amortization	(55,391	) (55,200
Property and equipment, net	\$54,226	\$59,351

Depreciation and amortization expense related to property and equipment was \$9.4 million, \$9.8 million, and \$10.3 million for the years ended November 30, 2015, 2014, and 2013, respectively.

Note 6: Intangible Assets and Goodwill

Intangible Assets

Intangible assets are comprised of the following significant classes (in thousands):

	November 30, 2015			November 30, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	\$117,151	\$(54,963	) \$62,188	\$53,789	\$(39,575	) \$14,214
Customer-related	67,602	(25,493	) 42,109	20,554	(15,195	) 5,359
Trademarks and trade names	15,330	(5,514	) 9,816	4,130	(3,125	) 1,005
Total	\$200,083	\$(85,970	) \$114,113	\$78,473	\$(57,895	) \$20,578

We amortize intangible assets assuming no expected residual value. Amortization expense related to these intangible assets was \$29.6 million, \$3.7 million and \$2.1 million in fiscal years 2015, 2014 and 2013, respectively.

Future amortization expense for intangible assets as of November 30, 2015 is as follows (in thousands):

2016	\$28,499
2017	28,499
2018	27,686
2019	26,561
2020	1,786
Thereafter	1,082
Total	\$114,113

Goodwill

Changes in the carrying amount of goodwill for fiscal years 2015 and 2014 are as follows (in thousands):

	November 30, 2015	November 30, 2014
Balance, beginning of year	\$232,836	\$224,286
Additions	137,472	8,690
Translation adjustments	(323	) (140
Balance, end of year	\$369,985	\$232,836

The addition to goodwill during fiscal year 2015 is related to the acquisition of Telerik AD. The additions to goodwill during fiscal year 2014 are related to the acquisitions of Modulus and BravePoint. See Note 8 for disclosures on these acquisitions.

The changes in the Company's goodwill balances by reportable segment since the prior year are as follows (in thousands):

	November 30, 2014	Additions	Translation Adjustments	November 30, 2015
OpenEdge	\$212,303	\$—	\$(323	) \$211,980
Data Connectivity and Integration	19,040	—	—	19,040
Application Development and Deployment	1,493	137,472	—	138,965
Total goodwill	\$232,836	\$137,472	\$(323	) \$369,985

We assess the impairment of goodwill on an annual basis and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

During fiscal year 2015, we tested goodwill for impairment for each of our reporting units as of October 31, 2015. Our OpenEdge and Data Connectivity and Integration reporting units had fair values which significantly exceeded their carrying values as of the annual impairment date. Our Application Development and Deployment reporting unit (which includes the recently acquired Telerik) had a fair value in excess of carrying value by approximately 16% as of the annual impairment date.

We recorded no goodwill impairment losses in fiscal years 2015, 2014 or 2013.

Note 7: Divestitures

During fiscal year 2013, we divested the following product lines, which were not considered core product lines of our business: Actional, Apama, Artix, DataXtend, ObjectStore, Orbacus, Orbix, Savvion, and Sonic. Revenues and direct expenses of the divested product lines have been reclassified as discontinued operations for fiscal year 2013.

Apama

In the third quarter of fiscal year 2013, we divested our Apama product line to Software AG for a purchase price of \$44.3 million. Of the total consideration, \$4.5 million was held in escrow to secure indemnification claims, if any, for up to 18 months. The escrow was released to us in January 2015.

In connection with the sale, we also entered into a three year distributor license agreement with Software AG for \$0.7 million for one of our DataDirect products. The distributor license agreement does not constitute direct cash flows or significant continuing involvement of the Apama product line, and thus does not preclude us from discontinued

operations treatment.

61

Revenues and direct expenses of the Apama product line have been reclassified as discontinued operations for fiscal year 2013. The components included in discontinued operations on the consolidated statements of income are as follows (in thousands):

	Fiscal Year Ended November 30, 2013
Revenue	\$10,550
Loss before income taxes	(12,482)
Income tax benefit	(3,152)
Gain on sale, net of tax	22,070
Income from discontinued operations, net	\$12,740

The gain on the sale of the Apama product line was calculated as follows (in thousands):

Purchase price	\$44,268
Less: transaction costs	2,029
Less: net assets	
Accounts receivable	2,426
Other current assets	428
Goodwill and intangible assets	6,991
Other long-term assets	426
Deferred revenue	(3,917)
Gain on sale	35,885
Tax provision	13,815
Gain on sale, net of tax	\$22,070

Artix, Orbacus and Orbix

In the first quarter of fiscal year 2013, we divested our Artix, Orbacus and Orbix product lines to a subsidiary of Micro Focus International plc (Micro Focus) for total consideration of \$15.0 million.

Revenues and direct expenses of these product lines have been reclassified as discontinued operations for fiscal year 2013. The components included in discontinued operations on the consolidated statements of income are as follows (in thousands):

	Fiscal Year Ended November 30, 2013
Revenue	\$5,786
Income before income taxes	2,625
Income tax provision	(130)
Gain on sale, net of tax	\$2,009
Income from discontinued operations, net	\$4,764

The gain on sale of the Artix, Orbacus and Orbix product lines was calculated as follows (in thousands):

Purchase price	\$ 15,000	
Less: transaction costs	826	
Less: indemnification obligation	30	
Less: net assets		
Accounts receivables	2,872	
Goodwill and intangible assets	24,325	
Other assets	20	
Impairment reserve	(8,601)
Deferred revenue	(6,481)
Gain on sale	2,009	
Tax provision	—	
Gain on sale, net of tax	\$ 2,009	

In the first quarter of fiscal year 2013, upon the closing of the sale of Artix, Orbacus and Orbix, we amended the definitive purchase and sale agreement with Micro Focus to provide an additional indemnification obligation with respect to a specified vendor. The fair value of the indemnification obligation on the date the sale closed was \$1.0 million. During the fourth quarter of fiscal year 2013, the matter was resolved and our actual indemnification obligation was \$30,000.

The gain recorded in fiscal year 2013 was the result of differences in our estimation of net assets to be sold at closing as of November 30, 2012 versus the actual value of the net assets sold at closing.

Actional, DataXtend, ObjectStore, Savvion and Sonic

In the first quarter of fiscal year 2013, we divested our Actional, DataXtend, ObjectStore, Savvion and Sonic product lines to the investment arm of Trilogy Enterprises (Trilogy) for total consideration of \$60.5 million.

Revenues and direct expenses of these product lines have been reclassified as discontinued operations for fiscal year 2013. The components included in discontinued operations on the consolidated statements of income are as follows (in thousands):

	Fiscal Year Ended	
	November 30, 2013	
Revenue	\$(450)
Loss before income taxes	(980)
Income tax benefit	(248)
Gain on sale, net of tax	\$ 18,358	
Income (loss) from discontinued operations, net	\$ 17,626	

The gain on sale of the Actional, DataXtend, ObjectStore, Savvion and Sonic product lines was calculated as follows (in thousands):

Purchase price	\$60,500	
Less: transaction costs	1,211	
Less: net assets		
Accounts receivables	12,380	
Goodwill and intangible assets	31,693	
Other assets	976	
Deferred revenue	(19,168)
Other liabilities	(299)
Gain on sale	33,707	
Tax provision	15,349	
Gain on sale, net of tax	\$18,358	

Note 8: Business Combinations

Telerik Acquisition

On December 2, 2014, we completed the acquisition of all of the outstanding securities of Telerik AD (Telerik), a leading provider of application development tools based in Sofia, Bulgaria, for total consideration of \$262.5 million. Approximately \$10.5 million of the total consideration was paid to Telerik's founders and certain other key employees in restricted stock units, subject to a vesting schedule and continued employment. Under the Securities Purchase Agreement, 10% of the total consideration was deposited into an escrow account to secure certain indemnification and other obligations of the sellers to Progress.

Through this acquisition, we now provide comprehensive cloud and on-premise platform offerings that enable developers to rapidly create applications, driven by data for any web, desktop or mobile platform. We funded the acquisition through a combination of existing cash resources and a \$150 million term loan (Note 9).

The total consideration, less the fair value of the granted restricted stock units discussed above, which are considered compensation arrangements, has been allocated to Telerik's tangible assets, identifiable intangible assets and assumed liabilities based on their estimated fair values. The excess of the total consideration, less the fair value of the restricted stock units, over the tangible assets, identifiable intangible assets and assumed liabilities was recorded as goodwill.

We recorded measurement period adjustments based on our ongoing valuation and purchase price allocation procedures, which were completed during the fourth quarter of fiscal year 2015.

The following table discloses the net assets acquired in the business combination (in thousands):

	Initial Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation	Weighted Average Life
Net working capital	\$7,909	\$313	\$8,222	
Property, plant and equipment	3,108	(30	) 3,078	
Identifiable intangible assets	123,100	—	123,100	5 years
Deferred taxes	(10,401	) 1,129	(9,272)
Deferred revenue	(7,915	) —	(7,915)
Other non-current liabilities	(1,769	) (963	) (2,732)
Goodwill	137,921	(449	) 137,472	

Net assets acquired	\$251,953	\$251,953
---------------------	-----------	-----------

The fair value of the intangible assets has been estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates prepared by management, and the discount rates applied

64

were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital. Based on the valuation, the acquired intangible assets are comprised of purchased technology of approximately \$64.8 million, customer-related of approximately \$47.1 million, and trademarks and trade names of approximately \$11.2 million.

Deferred taxes include deferred tax liabilities resulting from the tax effects of fair value adjustments related to identifiable intangible assets and deferred revenue, partially offset by the fair value of deferred tax assets acquired from Telerik. Tangible assets acquired and assumed liabilities were recorded at fair value. The valuation of the assumed deferred revenue was based on our contractual commitment to provide post-contract customer support to Telerik customers and future contractual performance obligations under existing hosting arrangements. The fair value of this assumed liability was based on the estimated cost plus a reasonable margin to fulfill these service obligations. A significant portion of the deferred revenue was recognized during fiscal year 2015.

We recorded the excess of the purchase price over the identified tangible and intangible assets as goodwill. We believe that the investment value of the future enhancement of our product and solution offerings created as a result of this acquisition has principally contributed to a purchase price that resulted in the recognition of \$137.5 million of goodwill, which is not deductible for tax purposes.

As discussed above, approximately \$10.5 million of the total consideration was paid to Telerik's founders and certain other key employees in restricted stock units, subject to a vesting schedule and continued employment. We concluded that the restricted stock units are compensation arrangements and stock-based compensation expense is recognized over the service period of the awards. We recorded \$3.5 million of stock-based compensation expense related to these restricted stock units during the fiscal year ended November 30, 2015. This amount is recorded as operating expenses in our consolidated statement of operations.

Acquisition-related transaction costs (e.g., legal, due diligence, valuation, and other professional fees) and certain acquisition restructuring and related charges are not included as a component of consideration transferred, but are required to be expensed as incurred. During the fiscal year ended November 30, 2015, we incurred approximately \$3.7 million of acquisition-related costs, which are included in acquisition-related expenses in our consolidated statement of operations.

In connection with the acquisition of Telerik, we agreed to provide retention bonuses to certain Telerik employees as an incentive for those employees to remain with Telerik for at least 1 year following the acquisition. We concluded that the retention bonuses for these individuals, which total approximately \$2.5 million, are compensation arrangements and recognized these costs over the one-year service period. We have incurred \$2.2 million of expense related to the retention bonuses during the fiscal year ended November 30, 2015, which are included in the acquisition-related expenses in our consolidated statement of operations discussed above. The entire amount accrued during the period was paid during December 2015.

The operations of Telerik are included in our operating results as part of the Application Development and Deployment segment from the date of acquisition. The amount of revenue of Telerik included in our consolidated statement of operations during the fiscal year ended November 30, 2015 was \$41.8 million. The revenue of Telerik products and maintenance is primarily recognized ratably over the maintenance period, which is generally one year, as VSOE of fair value cannot be established for such maintenance. The amount of pretax losses of Telerik included in our consolidated statement of operations during the fiscal year ended November 30, 2015 were \$54.1 million. The pretax loss includes the amortization expense of approximately \$24.6 million related to the acquired intangible assets discussed above.

Pro Forma Information (Unaudited)

The following pro forma financial information presents the combined results of operations of Progress and Telerik as if the acquisition had occurred on December 1, 2013 after giving effect to certain pro forma adjustments. The pro forma adjustments reflected herein include only those adjustments that are directly attributable to the Telerik acquisition and factually supportable. These pro forma adjustments include (i) a decrease in revenue from Telerik due to the beginning balance of deferred revenue being adjusted to reflect the fair value of the acquired balance, (ii) a net increase in amortization expense to eliminate historical amortization of Telerik intangible assets and to record amortization expense for the \$123.1 million of acquired identifiable intangible assets, (iii) stock-based compensation expense relating to the consideration paid to Telerik's founders and certain other key employees in restricted stock units, as discussed above, (iv) a net increase in interest expense to eliminate historical interest expense of Telerik as a result of the repayment of all Telerik outstanding debt in connection with the acquisition and to record interest expense for the period presented as a result of the new credit facility entered into by Progress in connection with the acquisition, (v) acquisition-related costs, including transaction costs incurred by Progress related to the accrual of retention bonuses discussed above, and (vi) the income tax effect of the adjustments made at either the statutory tax rate of Bulgaria (10%) or the statutory tax rate of the U.S. (approximately 37%) depending on which jurisdiction the adjustment impacts.

The pro forma financial information does not reflect any adjustments for anticipated synergies resulting from the acquisition and is not necessarily indicative of the operating results that would have actually occurred had the transaction been consummated on December 1, 2013.

(In thousands, except per share data)	Pro Forma Fiscal Year Ended November 30, 2014
Revenue	\$367,811
Net loss	\$(30,007)
Net loss per basic and diluted share	\$(0.59)

BravePoint Acquisition

On October 1, 2014, we acquired 100% of the capital stock of BravePoint, Inc. (BravePoint) from Chesapeake Utilities Corporation in exchange for \$12.0 million in cash. BravePoint is based in Norcross, Georgia and is a leading provider of consulting, training and application development services designed to increase customers' profitability and competitiveness through the use of technology. This acquisition significantly extends our services capabilities and enhances our ability to quickly enable our partners and customers to take greater advantage of new technologies. The acquisition was accounted for as a business combination, and accordingly, the results of operations of BravePoint are included in our operating results as part of the OpenEdge segment from the date of acquisition. We paid the purchase price in cash from available funds.

The allocation of the purchase price is as follows (in thousands):

	Total	Life
Net working capital	\$2,902	
Property and equipment	735	
Other assets	16	
Deferred revenue	(680)	
Customer-related	4,110	7 Years
Trade name	850	7 Years
Purchased technology	1,810	3 Years
Goodwill	2,257	
Net assets acquired	\$12,000	

We recorded the excess of the purchase price over the identified tangible and intangible assets as goodwill. We believe that the investment value of the future enhancement of our product and solution offerings created as a result of this acquisition has principally contributed to a purchase price that resulted in the recognition of \$2.3 million of goodwill. The goodwill is deductible for tax purposes. The allocation of the purchase price was completed in the fourth quarter of fiscal year 2014 upon the finalization of our valuation of identifiable intangible assets.

We incurred approximately \$1.2 million and \$0.2 million of acquisition-related costs during fiscal years 2015 and 2014, respectively, which are included in acquisition-related expenses in our consolidated statement of operations. We have not disclosed the amount of revenues and earnings of BravePoint since acquisition, nor pro forma financial information, as those amounts are not significant to our consolidated financial statements.

Modulus Acquisition

On May 13, 2014, we acquired 100% of the membership interests in Modulus LLC (Modulus), a privately held platform-as-a-service (PaaS) provider based in Cincinnati, Ohio, for \$15.0 million. The purchase consideration consisted of \$12.5 million in cash paid and \$2.5 million of contingent consideration, payable over a two year period, if earned. The fair value of the contingent consideration was estimated to be \$1.5 million at the date of acquisition; as such, the fair value of the purchase consideration allocated to the assets acquired totaled \$14.0 million.

Modulus provides a PaaS for easily hosting, deploying, scaling and monitoring data-intensive, real-time applications using powerful, rapidly growing Node.js and MongoDB technologies. The purpose of the acquisition is to capitalize on the expected market growth of the core technologies that Modulus supports and drive new revenue through our PaaS platform. The acquisition was accounted for as a business combination, and accordingly, the results of operations of Modulus are included in our operating results as part of our Application Development and Deployment segment from the date of acquisition. We paid the purchase price in cash from available funds.

The allocation of the purchase price is as follows (in thousands):

	Total	Life
Net working capital	\$7	
Purchased technology	7,320	7 Years
Customer-related	190	7 Years
Goodwill	6,433	
Net assets acquired	\$13,950	

The purchase consideration includes contingent earn-out provisions payable by the Company based on the achievement of certain milestones. We determined the fair value of the contingent consideration obligations by calculating the probability-weighted earn-out payments based on the assessment of the likelihood that the milestones will be achieved. The probability-weighted earn-out payments were then discounted using a discount rate based on an internal rate of return analysis using the probability-weighted cash flows. The key assumptions as of the acquisition date related to the contingent consideration are probabilities in excess of 75% that the milestones associated with the contingent consideration will be achieved and a discount rate of 33.0%. The year one milestone was not achieved as of May 31, 2015, which was the end of the first milestone period, and we do not expect the year two milestone to be achieved by the end of the second milestone period on May 31, 2016 (Note 4).

We recorded the excess of the purchase price over the identified tangible and intangible assets as goodwill. We believe that the investment value of the future enhancement of our product and solution offerings created as a result of this acquisition has principally contributed to a purchase price that resulted in the recognition of \$6.4 million of goodwill. The goodwill is deductible for tax purposes. The allocation of the purchase price was completed in the third quarter of fiscal year 2014 upon the finalization of our valuation of identifiable intangible assets.

We recorded gains of approximately \$1.5 million during fiscal year 2015 due to the change in fair value of the contingent consideration obligation, which is included in acquisition-related expenses in our consolidated statement of operations. We incurred approximately \$0.3 million of acquisition-related costs during fiscal year 2014, which are included in acquisition-related expenses in our consolidated statement of operations. We have not disclosed the amount of revenues and earnings of Modulus since acquisition, nor pro forma financial information, as those amounts are not significant to our condensed consolidated financial statements.

Rollbase Acquisition

On May 24, 2013, we acquired 100% of the equity interests in Rollbase, Inc. (Rollbase), a privately held software vendor based in Saratoga, California, for \$9.9 million. The purchase consideration consisted of \$9.5 million in cash paid and \$0.4 million of contingent consideration, which we paid out over a two year period. The fair value of the contingent consideration was estimated to be \$0.4 million at the date of acquisition. Rollbase provides application development software technology that allows the rapid design, development and deployment of on-demand business applications. The acquisition was accounted for as a business combination, and accordingly, the results of operations of Rollbase are included in our operating results from the date of acquisition. We paid the purchase price in cash from available funds.

The allocation of the purchase price is as follows (in thousands):

	Total	Life
Cash	\$50	
Acquired intangible assets	7,960	1 to 5 years
Goodwill	4,798	
Deferred taxes	(2,921)	
Accounts payable and other liabilities	(8)	
Net assets acquired	\$9,879	

The stock purchase agreement included contingent earn-out provisions requiring the Company to make payments to former Rollbase owners employed by the Company. We have concluded that the earn-out provisions for the individuals employed by the Company, which total approximately \$5.4 million, are compensation arrangements and we have been accruing the maximum payouts ratably over the two year performance period. During the second and third quarters of fiscal year 2014, we paid the former Rollbase owners the contingent consideration related to milestones reached as of the one year anniversary of the acquisition closing date in the amount of \$2.7 million. During the third quarter of fiscal year 2015, we paid the former Rollbase owners the contingent consideration related to milestones reached as of the two year anniversary of the acquisition closing date in the amount of \$2.7 million. We have incurred \$0.7 million, \$2.8 million, and \$1.9 million of expense related to the contingent earn-out provisions for the fiscal years ended November 30, 2015, November 30, 2014, and November 30, 2013, respectively. These amounts are recorded as acquisition-related expenses in our consolidated statement of operations.

We recorded the excess of the purchase price over the identified tangible and intangible assets as goodwill. We believe that the investment value of the future enhancement of our product and solution offerings created as a result of this acquisition has principally contributed to a purchase price that resulted in the recognition of \$4.8 million of goodwill, which is not deductible for tax purposes. The allocation of the purchase price was completed in the third quarter of fiscal year 2013 upon the finalization of our valuation of identifiable intangible assets and acquired deferred tax liabilities. The weighted average amortization period for the acquired intangible assets, which is comprised of purchased technology and customer relationships, is 5 and 1 years, respectively.

We have not disclosed the amount of revenues and earnings of Rollbase since acquisition, nor pro forma financial information, as those amounts are not significant to our consolidated financial statements.

Note 9: Term Loan and Line of Credit

On December 2, 2014, we entered into a credit agreement (the Credit Agreement) with each of the lenders party thereto (the Lenders), JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A. and Citizens Bank, N.A., as Syndication Agents, Bank of America, N.A., Citibank, N.A. and Silicon Valley Bank, as Documentation Agents, and J.P. Morgan Securities LLC, as Sole Bookrunner and Sole Lead Arranger, providing for a \$150 million secured term loan and a \$150 million secured revolving credit facility, which may be made available in U.S. Dollars and certain other currencies. The revolving credit facility may be increased by up to an additional \$75 million if the existing or additional lenders are willing to make such increased commitments.

This Credit Agreement replaces our previous unsecured revolving credit facility dated August 15, 2011. The previous credit facility was to mature on August 15, 2016. Loans under the previous credit agreement could be paid before maturity in whole or in part at our option without penalty or premium. There were no revolving loans and \$0.7 million of letters of credit outstanding at the time of the termination of the previous credit agreement, which letters of credit were incorporated into the new credit facility.

We borrowed the \$150 million term loan included in the Credit Agreement, which was used to partially fund our acquisition of Telerik, as described in Note 8. The revolving credit facility has sublimits for swing line loans up to \$25.0 million and for the issuance of standby letters of credit in a face amount up to \$25.0 million. We expect to use the revolving credit facility for general corporate purposes, including potential acquisitions of other businesses, and may also use it for working capital.

Interest rates for the term loan and revolving credit facility are determined based on an index selected at our option and would range from 1.50% to 2.25% above the Eurodollar rate for Eurodollar-based borrowings or would range from 0.50% to 1.25% above the defined base rate for base rate borrowings, in each case based upon our leverage ratio. Additionally, we may borrow

certain foreign currencies at rates set in the same range above the respective London interbank offered interest rates (LIBOR) for those currencies, based on our leverage ratio. A quarterly commitment fee on the undrawn portion of the revolving credit facility is required, ranging from 0.25% to 0.40% per annum, based upon our leverage ratio. The average interest rate of the credit facility during the fiscal year ended November 30, 2015 was 1.96% and the interest rate at November 30, 2015 was 2.0%.

The credit facility matures on December 2, 2019, when all amounts outstanding will be due and payable in full. The revolving credit facility does not require amortization of principal. The outstanding balance of the \$150 million term loan as of November 30, 2015 was \$144.4 million, with \$9.4 million due in the next 12 months. The term loan requires repayment of principal at the end of each fiscal quarter, beginning with the fiscal quarter ended February 28, 2015. The first eight payments are in the principal amount of \$1.9 million each, the following eight payments are in the principal amount of \$3.8 million each, the following three payments are in the principal amount of \$5.6 million each, and the last payment is of the remaining principal amount. Any amounts outstanding under the term loan thereafter would be due on the maturity date. The term loan may be prepaid before maturity in whole or in part at our option without penalty or premium. As of November 30, 2015, the carrying value of the term loan approximates the fair value, based on Level 2 inputs (observable market prices in less than active markets), as the interest rate is variable over the selected interest period and is similar to current rates at which we can borrow funds.

Costs incurred to obtain our long-term debt are recorded as debt issuance costs within other assets in our consolidated balance sheet as of November 30, 2015 and are amortized over the term of the debt agreement using the effective interest rate method. During fiscal year 2015, we recorded \$1.8 million of debt issuance costs. Amortization expense related to debt issuance costs of \$0.4 million, \$0.1 million, and a minimal amount for the fiscal years ended November 30, 2015, 2014, and 2013, respectively, is recorded within interest expense in our consolidated statements of operations.

Revolving loans may be borrowed, repaid and reborrowed until December 2, 2019, at which time all amounts outstanding must be repaid. Accrued interest on the loans is payable quarterly in arrears with respect to base rate loans and at the end of each interest rate period (or at each three month interval in the case of loans with interest periods greater than three months) with respect to LIBOR rate loans. We may prepay the loans or terminate or reduce the commitments in whole or in part at any time, without premium or penalty, subject to certain conditions and reimbursement of certain costs in the case of LIBOR rate loans. As of November 30, 2015, there were no amounts outstanding under the revolving line and \$0.5 million of letters of credit.

We are the sole borrower under the credit facility. Our obligations under the Credit Agreement are guaranteed by each of our material domestic subsidiaries and are secured by substantially all of our assets and such material domestic subsidiaries, as well as 100% of the capital stock of our domestic subsidiaries and 65% of the capital stock of our first-tier foreign subsidiaries, in each case, subject to certain exceptions as described in the Credit Agreement. Future material domestic subsidiaries will be required to guaranty our obligations under the Credit Agreement, and to grant security interests in substantially all of their assets to secure such obligations. The Credit Agreement generally prohibits, with certain exceptions, any other liens on our assets, subject to certain exceptions as described in the Credit Agreement.

The credit facility contains customary affirmative and negative covenants, including covenants that limit or restrict our ability to, among other things, grant liens, make investments, make acquisitions, incur indebtedness, merge or consolidate, dispose of assets, pay dividends or make distributions, repurchase stock, change the nature of the business, enter into certain transactions with affiliates and enter into burdensome agreements, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to maintain compliance with a consolidated fixed charge coverage ratio, a consolidated total leverage ratio and a consolidated senior secured leverage ratio.

As of November 30, 2015, aggregate principal payments of long-term debt for the next five years and thereafter are (in thousands):

2016	\$9,375
2017	15,000
2018	15,000
2019	105,000
Total	\$144,375

Note 10: Commitments and Contingencies

Leasing Arrangements

We lease certain facilities and equipment under non-cancelable operating lease arrangements. Future minimum rental payments under these leases are as follows at November 30, 2015 (in thousands):

2016	\$7,060
2017	6,299
2018	4,419
2019	4,737
2020	2,836
Thereafter	892
Total	\$26,243

Our operating lease arrangements are subject to customary renewal and base rental fee escalation clauses. Total rent expense, net of sublease income which is insignificant, under operating lease arrangements was approximately \$8.6 million, \$6.5 million and \$6.5 million in fiscal years 2015, 2014 and 2013, respectively.

Guarantees and Indemnification Obligations

We include standard intellectual property indemnification provisions in our licensing agreements in the ordinary course of business. Pursuant to our product license agreements, we will indemnify, hold harmless, and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally business partners or customers, in connection with certain patent, copyright or other intellectual property infringement claims by third parties with respect to our products. Other agreements with our customers provide indemnification for claims relating to property damage or personal injury resulting from the performance of services by us or our subcontractors. Historically, our costs to defend lawsuits or settle claims relating to such indemnity agreements have been insignificant. Accordingly, the estimated fair value of these indemnification provisions is immaterial.

Legal Proceedings

We are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these other legal matters will have a material effect on our financial position, results of operations or cash flows.

Note 11: Shareholders' Equity

Preferred Stock

Our Board of Directors is authorized to establish one or more series of preferred stock and to fix and determine the number and conditions of preferred shares, including dividend rates, redemption and/or conversion provisions, if any, preferences and voting rights. As of November 30, 2015, there was no preferred stock issued or outstanding.

Common Stock

We have 200,000,000 shares of authorized common stock, \$0.01 par value per share, of which 50,579,539 were issued and outstanding at November 30, 2015.

There were 74,900 deferred stock units (DSUs) outstanding at November 30, 2015. Each DSU represents one share of our common stock and all DSU grants have been made to non-employee members of our Board of Directors. The DSUs granted prior to fiscal year 2011 were fully vested on the date of grant and do not have voting rights and can only be converted into common stock when the recipient ceases being a member of the Board of Directors. There were 21,700 DSUs granted in fiscal year 2011, all of which were vested as of November 30, 2015.

Common Stock Repurchases

During fiscal year 2012, our Board of Directors authorized a \$350.0 million return of capital to shareholders in the form of a share repurchase through fiscal year 2013. In July 2013, the Board increased the authorization by \$10.0 million to \$360.0 million. In fiscal year 2013, we repurchased and retired 11,579,000 shares of our common stock for \$269.5 million.

In January 2014, our Board of Directors authorized a \$100.0 million share repurchase program. In fiscal year 2014, we repurchased and retired 2.3 million shares of our common stock for \$52.6 million. In fiscal year 2015, under the same authorization, we repurchased and retired 1.3 million shares for \$32.9 million, leaving \$14.5 million remaining under the authorization.

In September 2015, our Board of Directors authorized a new \$100.0 million share repurchase program, which increased the total authorization to \$114.5 million. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

Note 12: Stock-Based Compensation

We currently have one shareholder-approved stock plan from which we can issue stock-based awards, which was approved by our shareholders in fiscal year 2008 (2008 Plan). The 2008 Plan replaced the 1992 Incentive and Nonqualified Stock Option Plan, the 1994 Stock Incentive Plan and the 1997 Stock Incentive Plan (collectively, the "Previous Plans"). The Previous Plans solely exist to satisfy outstanding options previously granted under those plans. The 2008 Plan permits the granting of stock awards to officers, members of the Board of Directors, employees and consultants. Awards under the 2008 Plan may include nonqualified stock options, incentive stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals, deferred stock units and stock appreciation rights. A total of 54,510,000 shares are issuable under these plans, of which 5,678,772 shares were available for grant as of November 30, 2015.

We have adopted two stock plans for which the approval of shareholders was not required: the 2002 Nonqualified Stock Plan (2002 Plan) and the 2004 Inducement Stock Plan (2004 Plan). The 2002 Plan permits the granting of stock awards to non-executive officer employees and consultants. Executive officers and members of the Board of Directors are not eligible for awards under the 2002 Plan. Awards under the 2002 Plan may include nonqualified stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. A total of 9,750,000 shares are issuable under the 2002 Plan, of which 857,973 shares were available for grant as of November 30, 2015.

The 2004 Plan is reserved for persons to whom we may issue securities as an inducement to become employed by us pursuant to the rules and regulations of the NASDAQ Stock Market. Awards under the 2004 Plan may include nonqualified stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. A total of 1,500,000 shares are issuable under the 2004 Plan, of which 583,021 shares were available for grant as of November 30, 2015.

Under all of our plans, the options granted prior to fiscal year 2005 generally vest over five years and have terms of ten years. The options granted from fiscal year 2005 through fiscal year 2010 generally vest over five years and have terms of seven years. The options granted from fiscal year 2011 through fiscal year 2012 generally vest over four years and have a term of seven years, and the options granted since fiscal year 2013 generally vest within one year of the grant.

A summary of stock option activity under all the plans is as follows:

	Shares	Weighted Average	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ⁽¹⁾
	(in thousands)	Exercise Price	(in years)	(in thousands)
Options outstanding, December 1, 2014	1,215	\$21.19		
Granted	6	25.76		
Exercised	(449	) 18.64		
Canceled	(38	) 29.54		
Options outstanding, November 30, 2015	734	\$22.35	1.87	\$2,288
Exercisable, November 30, 2015	728	\$22.31	1.84	\$2,288
Vested or expected to vest, November 30, 2015	734	\$22.35	1.87	\$2,288

(1) The aggregate intrinsic value was calculated based on the difference between the closing price of our stock on November 30, 2015 of \$23.99 and the exercise prices for all in-the-money options outstanding.

A summary of restricted stock units activity is as follows (in thousands, except per share data):

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock units outstanding, December 1, 2014	1,489	\$22.24
Granted	1,692	25.39
Issued	(714	) 26.08
Canceled	(724	) 22.87
Restricted stock units outstanding, November 30, 2015	1,743	\$24.42

Each restricted stock unit represents one share of common stock. The restricted stock units generally vest semi-annually over a three year period. Performance-based restricted stock units are subject to performance criteria aligned with our business plan and are earned only to the extent the performance criteria are achieved, with any awards earned being subject to subsequent time-based vesting similar to that discussed above.

The fair value of outright stock awards, restricted stock units and DSUs is equal to the closing price of our common stock on the date of grant.

In addition, during fiscal years 2014 and 2015, we granted performance-based restricted stock units that include a three-year market condition under a Long-Term Incentive Plan (“LTIP”) where the performance measurement period is three years. Vesting of the LTIP awards is based on our level of attainment of specified total shareholder return (TSR) targets relative to the percentage appreciation of a specified index of companies for the respective three year periods and is also subject to the continued employment of the grantees. In order to estimate the fair value of such awards, we used a Monte Carlo Simulation valuation model. The weighted average assumptions used in the Monte Carlo Simulation valuation model for LTIP awards granted in fiscal year 2015 were an expected volatility of 32.1%, a risk-free interest rate of 0.9%, and an expected life of 2.7 years. The assumptions used for LTIP awards granted in fiscal year 2014 were an expected volatility of 32.5%, a risk-free interest rate of 0.7%, and an expected life of 2.9 years.

The 1991 Employee Stock Purchase Plan (ESPP) permits eligible employees to purchase up to an aggregate of 8,650,000 shares of our common stock through accumulated payroll deductions. The ESPP has a 27 month offering period comprised of nine three month purchase periods. The purchase price of the stock is equal to 85% of the lesser of the market value of such shares at the beginning of a 27 month offering period or the end of each three month segment within such offering period. If the market price at any of the nine purchase periods is less than the market price on the first date of the 27 month offering period, subsequent to the purchase, the offering period is canceled and the employee is entered into a new 27 month offering period with the then current market price as the new base price. We issued 226,000 shares, 203,000 shares and 281,000 shares with weighted average purchase prices of \$19.58, \$17.84 and \$15.28 per share, respectively, in fiscal years 2015, 2014 and

2013, respectively. At November 30, 2015, approximately 501,000 shares were available and reserved for issuance under the ESPP.

We estimated the fair value of stock options and ESPP awards granted in fiscal years 2015, 2014 and 2013 on the measurement dates using the Black-Scholes option valuation model with the following weighted average assumptions:

	Fiscal Year Ended			
	November 30, 2015	November 30, 2014	November 30, 2013	
Stock options:				
Expected volatility	28.0	% 28.4	% 31.9	%
Risk-free interest rate	1.3	% 1.6	% 0.7	%
Expected life (in years)	4.8	4.8	4.8	
Expected dividend yield	—	—	—	
Employee stock purchase plan:				
Expected volatility	21.1	% 25.1	% 31.8	%
Risk-free interest rate	0.5	% 0.3	% 0.2	%
Expected life (in years)	1.6	1.6	1.5	
Expected dividend yield	—	—	—	

For each stock option award, the expected life in years is based on historical exercise patterns and post-vesting termination behavior. Expected volatility is based on historical volatility of our stock, and the risk-free interest rate is based on the U.S. Treasury yield curve for the period that is commensurate with the expected life at the time of grant. We currently do not pay cash dividends on our common stock and do not anticipate doing so for the foreseeable future. Accordingly, our expected dividend yield is zero.

For each ESPP award, the expected life in years is based on the period of time between the beginning of the offering period and the date of purchase, plus an additional holding period of three months. Expected volatility is based on historical volatility of the our stock, and the risk-free interest rate is based on the U.S. Treasury yield curve in effect at each purchase period.

Based on the above assumptions, the weighted average estimated fair value of stock options granted in fiscal years 2015, 2014 and 2013 was \$6.79, \$5.95 and \$6.08 per share, respectively. We amortize the estimated fair value of stock options to expense over the vesting period using the straight-line method. The weighted average estimated fair value for shares issued under our ESPP in fiscal years 2015, 2014 and 2013 was \$6.89, \$6.93 and \$6.88 per share, respectively. We amortize the estimated fair value of shares issued under the ESPP to expense over the vesting period using a graded vesting model.

Total unrecognized stock-based compensation expense, net of expected forfeitures, related to unvested stock options and unvested restricted stock awards amounted to \$25.0 million at November 30, 2015. These costs are expected to be recognized over a weighted average period of 1.7 years.

The following additional activity occurred under our plans (in thousands):

	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Total intrinsic value of stock options on date exercised	\$3,895	\$4,078	\$14,009
Total fair value of deferred stock units on date vested	93	130	127

Total fair value of restricted stock units on date vested	18,621	19,963	16,631
---	--------	--------	--------

The following table provides the classification of stock-based compensation as reflected in our consolidated statements of operations (in thousands):

	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Cost of maintenance and services	617	612	601
Sales and marketing	4,805	4,642	3,599
Product development	5,433	5,289	4,723
General and administrative	13,149	14,330	10,186
Stock-based compensation from continuing operations	24,004	24,873	19,109
Loss from discontinued operations	—	—	2,290
Total stock-based compensation	\$24,004	\$24,873	\$21,399
Income tax benefit included in the provision for income taxes from continuing operations	\$5,225	\$6,318	\$5,146

Separation and Divestiture Arrangements

During fiscal year 2013, in connection with the divestiture of the Apama product line, we entered into transition agreements with five executives. As part of the agreements, the executives were entitled to accelerated vesting of certain stock-based awards upon the completion of the divestiture. All employees associated with the Apama product line were also entitled to accelerated vesting of certain stock-based awards upon the completion of the divestiture. Due to the accelerated vesting, we recognized additional stock-based compensation of \$1.4 million.

During fiscal year 2014, we entered into separation agreements with two executives, which entitled them to accelerated vesting of certain stock-based awards. Due to the separation and accelerated vesting, we recognized additional stock-based compensation expense of \$1.2 million, of which \$0.7 million was recorded as sales and marketing expense and \$0.5 million was recorded as general and administrative expense, in the consolidated statement of operations.

During fiscal year 2015, we entered into separation agreements with three executives, which entitled them to accelerated vesting of certain stock-based awards. Due to the separation and accelerated vesting, we recognized additional stock-based compensation expense of \$0.3 million, of which \$0.2 million was recorded as general and administrative expense and \$0.1 million was recorded as sales and marketing expense in the consolidated statement of operations.

Note 13: Retirement Plan

We maintain a retirement plan covering all U.S. employees under Section 401(k) of the Internal Revenue Code. Company contributions to the plan are at the discretion of the Board of Directors and totaled approximately \$2.4 million, \$2.1 million and \$1.9 million for fiscal years 2015, 2014 and 2013, respectively.

Note 14: Restructuring

The following table provides a summary of activity for all of the restructuring actions, which are detailed further below (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2012	\$603	\$6,704	\$7,307
Costs incurred ⁽¹⁾	2,671	10,346	13,017
Cash disbursements	(1,933	) (15,793	) (17,726
Asset impairment	(111	) —	(111
Translation adjustments and other	(46	) 111	65
Balance, November 30, 2013	\$1,184	\$1,368	\$2,552
Costs incurred	579	1,715	2,294
Cash disbursements	(1,316	) (1,859	) (3,175
Translation adjustments and other	(31	) 3	(28
Balance, November 30, 2014	\$416	\$1,227	\$1,643
Costs incurred	5,567	7,422	12,989
Cash disbursements	(690	) (5,653	) (6,343
Asset impairment	(4,962	) —	(4,962
Translation adjustments and other	81	(47	) 34
Balance, November 30, 2015	\$412	\$2,949	\$3,361

(1) \$1.0 million of the costs incurred during fiscal year 2013 were included in income from discontinued operations, net.

2015 Restructurings

During the first quarter of fiscal year 2015, we restructured our operations in connection with the acquisition of Telerik. This restructuring resulted in a reduction in redundant positions primarily within the administrative functions. This restructuring also resulted in the closing of two facilities as well as asset impairment charges for assets no longer deployed as a result of the acquisition. During the second and third quarters of fiscal year 2015, we incurred additional costs with respect to this restructuring, including reduction in redundant positions primarily within the product development function, as well as an impairment charge discussed further below.

Restructuring expenses are related to employee costs, including severance, health benefits and outplacement services (but excluding stock-based compensation), facilities costs, which include fees to terminate lease agreements and costs for unused space, net of sublease assumptions, and other costs, which include asset impairment charges.

During the second quarter of fiscal year 2015, we decided to replace our existing cloud-based mobile application development technology with technology acquired in connection with the acquisition of Telerik. Accordingly, we evaluated the ongoing value of the assets associated with this prior mobile technology and, based on this evaluation, we determined that the long-lived assets with a carrying amount of \$4.0 million were no longer recoverable and were impaired and wrote them down to their estimated fair value of \$0.1 million. Fair value was based on expected future cash flows using Level 3 inputs under ASC 820.

As part of this first quarter restructuring, for the fiscal year ended November 30, 2015, we incurred expenses of \$7.5 million. The expenses are recorded as restructuring expenses in the consolidated statements of operations. We do not

expect to incur additional material costs with respect to this restructuring.

75

A summary of activity for this restructuring action is as follows (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2014	\$—	\$—	\$—
Costs incurred	4,406	3,108	7,514
Cash disbursements	(300	) (2,801	) (3,101
Asset impairment	(3,999	) —	(3,999
Translation adjustments and other	102	2	104
Balance, November 30, 2015	\$209	\$309	\$518

Cash disbursements for expenses incurred to date under this restructuring are expected to be made through the third quarter of fiscal year 2016. As a result, the total amount of the restructuring reserve of \$0.5 million is included in other accrued liabilities on the consolidated balance sheet at November 30, 2015.

During the fourth quarter of fiscal year 2015, our management approved, committed to and initiated plans to make strategic changes to our organization to further build on the focus gained from operating under our business segment structure and to enable stronger cross-collaboration among product management, marketing and sales teams and a tighter integration of the product management and product development teams. In connection with the new organizational structure, we no longer have presidents of our three segments, as well as certain other positions within the administrative organization. Our Chief Operating Officer, appointed during fiscal year 2015, assumed responsibility for driving the operations of our three segments. The organizational changes will not result in the closing of any of our facilities.

Restructuring expenses are related to employee costs, including severance, health benefits and outplacement services (but excluding stock-based compensation), and other costs, which include charges for the abandonment of certain assets.

As part of this fourth quarter restructuring, for the fiscal year ended November 30, 2015, we incurred expenses of \$4.1 million. The expenses are recorded as restructuring expenses in the consolidated statements of operations. As we continue to operate under the new organization, which is still driven by our three segments, we may incur additional costs with respect to this restructuring, including severance charges and other employee costs.

A summary of activity for this restructuring action is as follows (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2014	\$—	\$—	\$—
Costs incurred	963	3,108	4,071
Cash disbursements	—	(483	) (483
Asset impairment	(963	) —	(963
Translation adjustments and other	—	(8	) (8
Balance, November 30, 2015	\$—	\$2,617	\$2,617

Cash disbursements for expenses incurred to date under this restructuring are expected to be made through the fourth quarter of fiscal year 2016. As a result, the total amount of the restructuring reserve of \$2.6 million is included in

other accrued liabilities on the consolidated balance sheet at November 30, 2015.

2014 Restructuring

During the third quarter of fiscal year 2014, our management approved, committed to and initiated plans to make strategic changes to our organization to provide greater focus and agility in the delivery of next generation application development, deployment and integration solutions. Effective September 1, 2014, we began to operate as three distinct business segments: OpenEdge, Data Connectivity and Integration, and Application Development and Deployment, each with dedicated sales,

76

product management and product marketing functions. In connection with the new organizational structure, we eliminated the position of global head of sales, as well as certain other positions within the sales and administrative organizations.

As part of the 2014 restructuring, for the twelve months ended November 30, 2015, we incurred expenses of \$1.3 million, which are related to employee costs, including severance, health benefits, and outplacement services, but excluding stock-based compensation, and facilities costs, which include fees to terminate lease agreements and costs for unused space, net of sublease assumptions. The expenses are recorded as restructuring expenses in the consolidated statements of operations. We do not expect to incur additional material costs with respect to the 2014 restructuring.

A summary of the fiscal year 2015 activity for the 2014 restructuring action is as follows (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2014	\$—	\$1,227	\$1,227
Costs incurred	130	1,206	1,336
Cash disbursements	(76	) (2,369	) (2,445
Translation adjustments and other	—	(40	) (40
Balance, November 30, 2015	\$54	\$24	\$78

Cash disbursements for expenses incurred to date under the 2014 restructuring are expected to be made through the first quarter of fiscal year 2016. As a result, the \$0.1 million is included in other accrued liabilities on the consolidated balance sheet at November 30, 2015.

A summary of the fiscal year 2014 activity for the 2014 restructuring action is as follows (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2013	\$—	\$—	\$—
Costs incurred	—	1,664	1,664
Cash disbursements	—	(437	) (437
Balance, November 30, 2014	\$—	\$1,227	\$1,227

2013 and 2012 Restructurings

During the third quarter of fiscal year 2013, our management approved, committed to and initiated plans to restructure and improve efficiencies in our operations as a result of the sale of the Apama product line and the divestitures completed during the fourth quarter of fiscal year 2012 and the first quarter of fiscal year 2013. We reduced our global workforce primarily within the administrative and sales organizations. This workforce reduction was conducted across all geographies and also resulted in the closing of certain facilities.

In the second quarter of fiscal year 2012, our management approved, committed to and initiated certain operational restructuring initiatives to reduce annual costs, including the simplification of our organizational structure and the consolidation of facilities. In addition, as part of the strategic plan announced during fiscal year 2012, we divested the product lines not considered core to our business. Our restructuring actions included both cost reduction efforts and qualifying costs associated with our divestitures.

Restructuring expenses for both restructurings related to employee costs, including severance, health benefits, outplacement services and transition divestiture arrangements (but excluding stock-based compensation), and facilities costs, which include fees to terminate lease agreements and costs for unused space, net of sublease assumptions. Other costs include costs to terminate automobile leases of employees included in the workforce reduction, asset impairment charges for assets no longer deployed as part of cost reduction strategies, costs for unused software licenses as part of the workforce reduction and other costs directly associated with the restructuring actions taken.

As part of the 2013 and 2012 restructuring actions, for the twelve months ended November 30, 2015, we incurred expenses of \$0.1 million. The expenses are recorded as restructuring expenses in the consolidated statements of operations. We do not expect to incur additional material costs with respect to the 2013 and 2012 restructuring actions.

A summary of the fiscal year 2015 activity for the 2013 and 2012 restructuring actions is as follows (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2014	\$416	\$—	\$416
Costs incurred	68	—	68
Cash disbursements	(314	) —	(314
Translation adjustments and other	(21	) —	(21
Balance, November 30, 2015	\$149	\$—	\$149

Cash disbursements for expenses incurred to date under the 2013 and 2012 restructuring actions are expected to be made through fiscal year 2017. The short-term portion of the restructuring reserve of \$0.1 million is included in other accrued liabilities and the remaining long-term portion, which is minimal, is included in other noncurrent liabilities on the consolidated balance sheet as of November 30, 2015.

A summary of the fiscal year 2013 and 2014 activity for the 2013 and 2012 restructuring actions is as follows (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2012	\$603	\$6,429	\$7,032
Costs incurred	2,671	10,346	13,017
Cash disbursements	(1,933	) (15,518	) (17,451
Asset impairment	(111	) —	(111
Translation adjustments and other	(46	) 111	65
Balance, November 30, 2013	\$1,184	\$1,368	\$2,552
Costs incurred	579	51	630
Cash disbursements	(1,316	) (1,422	) (2,738
Translation adjustments and other	(31	) 3	(28
Balance, November 30, 2014	\$416	\$—	\$416

Note 15: Income Taxes

The components of income from continuing operations before income taxes are as follows (in thousands):

	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
U.S.	\$62,813	\$68,882	\$54,495
Foreign	(50,459	) 8,922	8,288
Total	\$12,354	\$77,804	\$62,783

The provision for income taxes from continuing operations is comprised of the following (in thousands):

	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Current:			
Federal	\$18,418	\$7,796	\$7,639
State	1,526	765	1,583
Foreign	3,056	4,751	2,165
Total current	23,000	13,312	11,387
Deferred:			
Federal	2,199	14,783	9,622
State	60	730	329
Foreign	(4,104)	(479)	1,668
Total deferred	(1,845)	15,034	11,619
Total	\$21,155	\$28,346	\$23,006

A reconciliation of the U.S. Federal statutory rate to the effective tax rate from continuing operations is as follows (in thousands):

	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Tax at U.S. Federal statutory rate	\$4,324	\$27,231	\$21,972
Foreign rate differences	16,945	1,320	932
Effects of foreign operations included in U.S. Federal provision	(996)	(1,821)	(427)
State income taxes, net	1,029	1,227	1,357
Research credits	(681)	(80)	(950)
Domestic production activities deduction	(1,750)	(1,095)	(1,323)
Tax-exempt interest	(51)	(80)	(129)
Nondeductible stock-based compensation	1,875	2,152	1,464
Meals and entertainment	321	220	201
Compensation subject to 162(m)	228	350	—
Uncertain tax positions and tax settlements	(332)	(123)	633
Other	243	(955)	(724)
Total	\$21,155	\$28,346	\$23,006

The components of deferred tax assets and liabilities are as follows (in thousands):

	November 30, 2015	November 30, 2014
Deferred tax assets:		
Accounts receivable	\$628	\$632
Other assets	761	762
Accrued compensation	3,421	2,666
Accrued liabilities and other	4,945	7,096
Stock-based compensation	4,902	4,558
Deferred revenue	798	—
Tax credit and loss carryforwards	29,351	30,769
Gross deferred tax assets	44,806	46,483
Valuation allowance	(8,160)	(9,687)
Total deferred tax assets	36,646	36,796
Deferred tax liabilities:		
Goodwill	(21,580)	(19,777)
Deferred revenue	—	(672)
Depreciation and amortization	(11,207)	(4,327)
Total deferred tax liabilities	(32,787)	(24,776)
Total	\$3,859	\$12,020

The valuation allowance primarily applies to net operating loss carryforwards and unutilized tax credits in jurisdictions or under conditions where realization is not more likely than not. The \$1.5 million, \$3.3 million, and \$1.4 million decreases in the valuation allowance during fiscal years 2015, 2014, and 2013, respectively, primarily relate to foreign net operating loss carryforwards expiring unutilized.

At November 30, 2015, we have net operating loss carryforwards of \$86.5 million expiring on various dates through 2034 and \$1.1 million that may be carried forward indefinitely. At November 30, 2015, we have tax credit carryforwards of approximately \$8.4 million expiring on various dates through 2030 and \$2.1 million that may be carried forward indefinitely.

It is our intention to indefinitely reinvest the earnings of our non-U.S. subsidiaries. We have not provided for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries, which totaled \$18.4 million as of November 30, 2015, as these earnings have been indefinitely reinvested. Any additional taxes that might be payable upon repatriation of our foreign earnings would not be significant.

We have filed our tax returns in accordance with the tax laws in each jurisdiction and recognize tax benefits for uncertain tax positions when the position would more likely than not be sustained based on its technical merits and recognize measurement adjustments when needed.

As of November 30, 2015, the total amount of unrecognized tax benefits was \$4.8 million, of which \$2.6 million was recorded in other noncurrent liabilities on the consolidated balance sheet and \$2.2 million of deferred tax assets, principally related to U.S and foreign net operating loss carry-forwards, have not been recorded.

A reconciliation of the balance of our unrecognized tax benefits is as follows (in thousands):

	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Balance, beginning of year	\$1,711	\$1,022	\$2,192
Tax positions related to current year	107	849	189
Settlements with tax authorities	(39	) —	(1,176
Tax positions acquired	4,464	—	—
Lapses due to expiration of the statute of limitations	(1,464	) (160	) (183
Balance, end of year	\$4,779	\$1,711	\$1,022

If recognized, all amounts of unrecognized tax benefits would affect the effective tax rate.

We recognize interest and penalties related to uncertain tax positions as a component of our provision for income taxes. In fiscal years 2015, 2014, and 2013 there was a minimal amount of estimated interest and penalties recorded in the provision for income taxes. We have accrued \$0.4 million and \$0.2 million of estimated interest and penalties at November 30, 2015 and 2014, respectively. We do not expect any significant changes to the amount of unrecognized tax benefits in the next twelve months.

The Internal Revenue Service is currently examining our U.S. Federal income tax return for fiscal year 2013. Our Federal income tax returns have been examined or are closed by statute for all years prior to fiscal year 2012, and we are no longer subject to audit for those periods. Our state income tax returns have been examined or are closed by statute for all years prior to fiscal year 2011, and we are no longer subject to audit for those periods.

Tax authorities for certain non-U.S. jurisdictions are also examining returns, none of which are material to our consolidated balance sheets, cash flows or statements of income. With some exceptions, we are generally no longer subject to tax examinations in non-U.S. jurisdictions for years prior to fiscal year 2010.

Note 16: (Loss) Earnings Per Share

We compute basic earnings per share using the weighted average number of common shares outstanding. We compute diluted earnings per share using the weighted average number of common shares outstanding plus the effect of outstanding dilutive stock options, restricted stock units and deferred stock units, using the treasury stock method. The following table sets forth the calculation of basic and diluted earnings per share from continuing operations (in thousands, except per share data):

	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
(Loss) income from continuing operations	\$(8,801	) \$49,458	\$39,777
Weighted average shares outstanding	50,391	50,840	54,516
Dilutive impact from common stock equivalents	—	626	863
Diluted weighted average shares outstanding	50,391	51,466	55,379
Basic (loss) earnings per share from continuing operations	\$(0.17	) \$0.97	\$0.73
Diluted (loss) earnings per share from continuing operations	\$(0.17	) \$0.96	\$0.72

We excluded stock awards representing approximately 2,552,000 shares, 355,000 shares, and 744,000 shares of common stock from the calculation of diluted earnings per share in the fiscal years ended November 30, 2015, 2014

and 2013, respectively, because these awards were anti-dilutive.

81

Note 17: Business Segments and International Operations

Operating segments are components of an enterprise that engage in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and assess performance. Our chief operating decision maker is the combination of our Chief Executive Officer and Chief Operating Officer.

The changes made to our organization during the fourth quarter of fiscal year 2015, as discussed in Note 14, did not change our determination of the three reportable segments as our organizational structure maintains the focus of the three business segments and was updated for the purpose of enhancing cross-collaboration between our functions in order to accelerate growth.

We do not manage our assets or capital expenditures by segment or assign other income (expense) and income taxes to segments. We manage and report such items on a consolidated company basis.

The following table provides revenue and contribution margin from our reportable segments and reconciles to the consolidated income from continuing operations before income taxes:

(In thousands)	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Segment revenue:			
OpenEdge	\$295,934	\$296,721	\$293,508
Data Connectivity and Integration	37,926	34,772	40,089
Application Development and Deployment	43,694	1,040	399
Total revenue	377,554	332,533	333,996
Segment costs of revenue and operating expenses:			
OpenEdge	77,085	70,811	83,675
Data Connectivity and Integration	13,819	12,308	12,397
Application Development and Deployment	39,386	9,354	1,612
Total costs of revenue and operating expenses	130,290	92,473	97,684
Segment contribution margin:			
OpenEdge	218,849	225,910	209,833
Data Connectivity and Integration	24,107	22,464	27,692
Application Development and Deployment	4,308	(8,314)	(1,213)
Total contribution margin	247,264	240,060	236,312
Other unallocated expenses (1)	232,510	159,320	172,572
Income from operations	\$14,754	\$80,740	\$63,740
Other expense, net	\$(2,400)	\$(2,936)	\$(957)
Income from continuing operations before income taxes	\$12,354	\$77,804	\$62,783

(1) The following expenses are not allocated to our segments as we manage and report our business in these functional areas on a consolidated basis only: product development, corporate marketing, administration, amortization of acquired intangibles, stock-based compensation, restructuring, and acquisition related expenses.

Our revenues are derived from licensing our products, and from related services, which consist of maintenance, hosting services, and consulting and education. Information relating to revenue from external customers by revenue type is as follows (in thousands):

	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
Software licenses	\$ 130,250	\$ 117,801	\$ 122,312
Maintenance	217,718	202,496	202,857
Professional services	29,586	12,236	8,827
Total	\$377,554	\$332,533	\$333,996

In the following table, revenue attributed to the United States includes sales to customers in the U.S. and sales to certain multinational organizations. Revenue from Canada, Europe, the Middle East and Africa (EMEA), Latin America and the Asia Pacific region includes sales to customers in each region plus sales from the U.S. to distributors in these regions. Information relating to revenue from external customers from different geographical areas is as follows (in thousands):

	Fiscal Year Ended		
	November 30, 2015	November 30, 2014	November 30, 2013
United States	\$ 193,665	\$ 137,105	\$ 140,020
Canada	13,901	13,611	14,259
EMEA	124,171	131,335	133,600
Latin America	17,594	24,917	25,370
Asia Pacific	28,223	25,565	20,747
Total	\$377,554	\$332,533	\$333,996

No country outside of the U.S. accounted for more than 10% of our consolidated revenue in any year presented. Long-lived assets totaled \$50.3 million, \$56.9 million and \$53.6 million in the U.S. and \$3.9 million, \$2.5 million and \$3.4 million outside of the U.S. at the end of fiscal years 2015, 2014 and 2013, respectively. No individual country outside of the U.S. accounted for more than 10% of our consolidated long-lived assets.

Note 18: Selected Quarterly Financial Data (unaudited)

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal year 2015:				
Revenue	\$81,381	\$88,817	\$94,637	\$112,719
Gross profit	63,753	73,071	79,505	97,483
(Loss) income from operations	(11,186)	(2,735)	8,594	20,081
Net (loss) income	(971)	5,769	(4,126)	(9,473)
Basic (loss) earnings per share	(0.02)	0.11	(0.08)	(0.19)
Diluted (loss) earnings per share	(0.02)	0.11	(0.08)	(0.19)
Fiscal year 2014:				
Revenue	\$74,538	\$80,827	\$79,274	\$97,894
Gross profit	66,657	73,449	71,413	86,755
Income from operations	14,002	20,280	19,431	27,027
Net income	11,100	12,799	11,095	14,464

Basic earnings per share	0.22	0.25	0.22	0.29
Diluted earnings per share	0.21	0.25	0.22	0.28

Note 19: Related Party Transactions

During fiscal year 2015, we entered into two license agreements with Emdeon Inc. (Emdeon) to provide Emdeon access to certain of our software. Philip M. Pead, our President and Chief Executive Officer, is a member of Emdeon's board of directors. We deployed the software and recorded revenue of \$0.4 million. We also recorded \$0.2 million of deferred license and maintenance revenue related to the arrangements as of November 30, 2015, which will be recorded as revenue on a straight-line basis over the respective maintenance periods of each license agreement. As Emdeon paid us the total amounts upon deployment, there is no outstanding accounts receivable balance as of November 30, 2015.

During fiscal year 2015, we also entered into two license agreements with a customer on whose board of directors one of our directors also serves. We delivered the software during the year and recorded revenue of \$0.7 million. We also recorded a minimal amount of deferred maintenance revenue related to one of the arrangements, which will be recorded as revenue on a straight-line basis over the remaining maintenance period. There is an outstanding accounts receivable balance of \$0.4 million as of November 30, 2015.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Our management maintains disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), as appropriate, to allow for timely decisions regarding required disclosure.

Our management, including the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed in the reports filed or submitted by us under the Securities Exchange Act of 1934 was recorded, processed, summarized and reported within the requisite time periods and that such information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

(b) Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of November 30, 2015. Our assessment was based on the framework in the updated Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) on May 14, 2013. Based on our assessment we believe that as of November 30, 2015, our internal control over financial reporting is effective based on those criteria.

Deloitte & Touche LLP, our independent registered public accounting firm, which audited our consolidated financial statements, has issued an attestation report on our internal control over financial reporting, which is included in this Item 9A below.

(c) Changes in internal control over financial reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated our “internal control over financial reporting” as defined in Exchange Act Rule 13a-15(f) to determine whether any changes in our internal control over financial reporting occurred during the fiscal quarter ended November 30, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation,

there were no changes in our internal control over financial reporting during the fiscal quarter ended November 30, 2015 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

(d) Report of independent registered public accounting firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Progress Software Corporation
Bedford, Massachusetts

We have audited the internal control over financial reporting of Progress Software Corporation and subsidiaries (the "Company") as of November 30, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended November 30, 2015, of the Company and

our report dated January 29, 2016 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

January 29, 2016

Item 9B. Other Information

On January 26, 2016, we filed with the Secretary of State of the State of Delaware a Certificate of Correction to our Certificate of Incorporation. The Certificate of Correction was filed to correct a typographical error related to the par value of the Company's capital stock. The Certificate of Incorporation and accompanying Certificate of Correction are filed as Exhibits 3.2 and 3.2.1, respectively, to this 10-K.

86

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 with respect to our directors and executive officers, including the qualifications of the members of the Audit Committee of our Board of Directors, may be found in the sections captioned, “Proposal 1-Election of Directors,” “Committees of the Board,” “Certain Relationships” and “Section 16(a) Beneficial Ownership Reporting Compliance” appearing in our definitive Proxy Statement for the 2016 Annual Meeting of Shareholders. This information is incorporated herein by reference.

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. Prior to the acquisition, Mr. Georgiev was co-Chief Executive Officer of Telerik, 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.

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, 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 in March 2011.

Mr. Robinson became Chief Technology Officer in April 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.

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. Prior to the acquisition, Mr. Taslakov was Chief Talent Officer of Telerik, 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. Prior to the acquisition, Mr. Terziev was co-Chief Executive Officer of Telerik, which he co-founded in 2002.

Board of Directors

The following information is provided with respect to the members of our Board of Directors:

Barry N. Bycoff
Former Executive Chairman
Progress Software Corporation

John R. Egan
Non-Executive Chairman
Managing Partner
Egan-Managed Capital

Ram Gupta
Former President and Chief Executive Officer
CAST Iron Systems, Inc.

Charles F. Kane
Strategic Advisor and Director
One Laptop per Child

David A. Krall
Strategic Advisor and Board of Directors Member
Universal Audio

Michael L. Mark
Director
Progress Software Corporation

Philip M. Pead
President and Chief Executive Officer

Progress Software Corporation

Code of Conduct

We have adopted a Code of Conduct that applies to all employees and directors. A copy of the Code of Conduct is publicly available on our website at www.progress.com. If we make any substantive amendments to the Code of Conduct or grant any waiver, including any implicit waiver, from the Code of Conduct to our executive officers or directors, we will disclose the nature of such amendment or waiver in a Current Report on Form 8-K.

88

Item 11. Executive Compensation

The information required by this Item 11 with respect to director and executive compensation may be found under the headings captioned “Director Compensation,” “Compensation Discussion and Analysis” and “Executive Compensation” in our definitive Proxy Statement for the 2016 Annual Meeting of Shareholders. This information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item 12 with respect to security ownership and our equity compensation plans may be found under the headings captioned “Information About Progress Software Common Stock Ownership” and “Equity Compensation Plan Information” in our definitive Proxy Statement for the 2016 Annual Meeting of Shareholders. This information is incorporated herein by reference.

Information related to securities authorized for issuance under equity compensation plans as of November 30, 2015 is as follows (in thousands, except per share data):

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance	
Equity compensation plans approved by shareholders ⁽¹⁾	2,278	(2) \$20.24	6,180	(3)
Equity compensation plans not approved by shareholders ⁽⁴⁾	200	27.99	1,441	
Total	2,478	\$22.35	7,621	

(1) Consists of the 1992 Incentive and Nonqualified Stock Option Plan, 1994 Stock Incentive Plan, 1997 Stock Incentive Plan, 2008 Stock Option and Incentive Plan and 1991 Employee Stock Purchase Plan (ESPP).

Includes 1,743,000 restricted stock units under our 2008 Plan. Does not include purchase rights accruing under the (2) ESPP because the purchase price (and therefore the number of shares to be purchased) will not be determined until the end of the purchase period.

(3) Includes 501,000 shares available for future issuance under the ESPP.

(4) Consists of the 2002 Nonqualified Stock Plan and the 2004 Inducement Plan described below.

We have adopted two equity compensation plans, the 2002 Nonqualified Stock Plan (2002 Plan) and the 2004 Inducement Stock Plan (2004 Plan), for which the approval of shareholders was not required. We intend that the 2004 Plan be reserved for persons to whom we may issue securities as an inducement to become employed by us pursuant to the rules and regulations of NASDAQ. Executive officers and members of the Board of Directors are not eligible for awards under the 2002 Plan. An executive officer would be eligible to receive an award under the 2004 Plan only as an inducement to join us. Awards under the 2002 Plan and the 2004 Plan may include nonqualified stock options, grants of conditioned stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. A total of 11,250,000 shares are issuable under the two plans, of which, 1,440,994 shares are available for future issuance.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 may be found under the headings “Independence,” “Review of Transactions with Related Persons” and “Transactions with Related Persons” in our definitive Proxy Statement for the 2016 Annual Meeting of Shareholders. This information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 may be found under the heading “Information About Our Independent Registered Public Accounting Firm” in our definitive Proxy Statement for the 2016 Annual Meeting of Shareholders. This information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents Filed as Part of this Annual Report on Form 10-K

1. Financial Statements (included in Item 8 of this Annual Report on Form 10-K):

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of November 30, 2015 and 2014

Consolidated Statements of Operations for the years ended November 30, 2015, 2014 and 2013

Consolidated Statements of Comprehensive Loss for the years ended November 30, 2015, 2014 and 2013

Consolidated Statements of Shareholders' Equity for the years ended November 30, 2015, 2014 and 2013

Consolidated Statements of Cash Flows for the years ended November 30, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Financial statement schedules are omitted as they are either not required or the information is otherwise included in the consolidated financial statements.

(b) Exhibits

Documents listed below, except for documents followed by parenthetical numbers, are being filed as exhibits. Documents followed by parenthetical numbers are not being filed herewith and, pursuant to Rule 12b-32 of the General Rules and Regulations promulgated by the SEC under the Securities Exchange Act of 1934 (the Act), reference is made to such documents as previously filed as exhibits with the SEC. Our file number under the Act is 0-19417.

- 2.1 Securities Purchase Agreement, dated October 21, 2014, by and among Progress Software Corporation, Telerik AD, the Sellers identified therein, and the Securityholder Representative (1)
- 2.2 Plan of Domestication (2)
- 3.1 Certificate of Conversion from Non-Delaware Corporation to Delaware Corporation (3)
- 3.2 Certificate of Incorporation (4)
- 3.2.1 Certificate of Correction to Certification of Incorporation
- 3.3 Amended and Restated By-Laws (5)
- 4.1 Specimen certificate for the Common Stock (6)
- 10.1* 1992 Incentive and Nonqualified Stock Option Plan (7)
- 10.2* 1994 Stock Incentive Plan (8)
- 10.3* 1997 Stock Incentive Plan, as amended and restated (9)
- 10.4* Employee Retention and Motivation Agreement as amended and restated, executed by each of the Executive Officers (other than the Chief Executive Officer) (10)
- 10.5* 2002 Nonqualified Stock Plan, as amended and restated
- 10.6* 2004 Inducement Stock Plan, as amended and restated
- 10.7* Progress Software Corporation 1991 Employee Stock Purchase Plan, as amended and restated (11)
- 10.8* Progress Software Corporation 2008 Stock Option and Incentive Plan, as amended and restated (12)
- 10.9* Form of Notice of Grant of Stock Options and Grant Agreement under the Progress Software Corporation 2008 Stock Option and Incentive Plan (13)
- 10.10* Progress Software Corporation Corporate Executive Bonus Plan (14)
- 10.11* Progress Software Corporation 2015 Fiscal Year Non-Employee Directors Compensation Program (15)
- 10.12* Form of Deferred Stock Unit Agreement under the Progress Software Corporation 2008 Stock Option and Incentive Plan (16)
- 10.13* Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the Progress Software Corporation 2008 Stock Option and Incentive Plan (Initial Grant) (17)
- 10.14* Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the Progress Software Corporation 2008 Stock Option and Incentive Plan (Annual Grant) (18)
- 10.15* Form of Restricted Stock Unit Agreement under the Progress Software Corporation 2008 Stock Option and Incentive Plan (19)
- 10.16* Credit Agreement, dated as of December 2, 2014, by and among Progress Software Corporation, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A. and Citizens Bank, N.A., as Syndication Agents, and Bank of America, N.A., Citibank, N.A. and Silicon Valley Bank, as Documentation Agents, and J.P. Morgan Securities LLC, as Sole Bookrunner and Sole Lead Arranger (20)
- 10.17* Employment Agreement, dated December 7, 2012, by and between Progress Software Corporation and Philip M. Pead (21)
- 10.18* Employee Retention and Motivation Agreement, dated as of December 7, 2012, by and between Progress Software Corporation and Philip M. Pead (22)
- 10.19* Employment Agreement, dated January 1, 2013, by and between Progress Software Corporation and Chris E. Perkins (23)
- 21.1 List of Subsidiaries of the Registrant
- 23.1 Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
- 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Philip M. Pead
- 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chris E. Perkins
- 32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101** The following materials from Progress Software Corporation's Annual Report on Form 10-K for the year ended November 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of November 30, 2013 and 2012, (ii) Consolidated Statements of Income for the years ended November 30, 2013, 2012 and 2011, (iii) Consolidated Statements of Comprehensive

Income for the years ended November 30, 2013, 2012 and 2011, (iv) Consolidated Statements of Shareholders' Equity for the years ended November 30, 2013, 2012 and 2011, and (v) Consolidated Statements of Cash Flows for the years ended November 30, 2013, 2012 and 2011.

- (1) Incorporated by reference to Exhibit 2.1 of our Current Report on Form 8-K filed on October 27, 2014.
- (2) Incorporated by reference to Exhibit 2.1 of our Current Report on Form 8-K filed on May 14, 2015.

- (3) Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed on May 14, 2015.
- (4) Incorporated by reference to Exhibit 3.2 of our Current Report on Form 8-K filed on May 14, 2015.
- (5) Incorporated by reference to Exhibit 3.4 of our Current Report on Form 8-K filed on May 14, 2015.
- (6) Incorporated by reference to Exhibit 4.1 of our Annual Report on Form 10-K for the year ended November 30, 2011.
- (7) Incorporated by reference to Exhibit 10.1 of our Annual Report on Form 10-K for the year ended November 30, 2009.
- (8) Incorporated by reference to Exhibit 10.2 of our Annual Report on Form 10-K for the year ended November 30, 2009.
- (9) Incorporated by reference to Exhibit 10.3 of our Annual Report on Form 10-K for the year ended November 30, 2012.
- (10) Incorporated by reference to Exhibit 10.4 of our Annual Report on Form 10-K for the year ended November 30, 2013.
- (11) Incorporated by reference to Annex B to our definitive Proxy Statement filed April 20, 2012.
- (12) Incorporated by reference to Annex A to our definitive Proxy Statement filed May 7, 2013.
- (13) Incorporated by reference to Exhibit 10.9 of our Annual Report on Form 10-K for the year ended November 30, 2013.
- (14) Incorporated by reference to Exhibit 10.10 of our Annual Report on Form 10-K for the year ended November 30, 2012.
- (15) Incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the quarter ended February 28, 2015.
- (16) Incorporated by reference to Exhibit 10.12 of our Annual Report on Form 10-K for the year ended November 30, 2013.
- (17) Incorporated by reference to Exhibit 10.13 of our Annual Report on Form 10-K for the year ended November 30, 2013.
- (18) Incorporated by reference to Exhibit 10.14 of our Annual Report on Form 10-K for the year ended November 30, 2013.
- (19) Incorporated by reference to Exhibit 10.15 of our Annual Report on Form 10-K for the year ended November 30, 2014.
- (20) Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed December 5, 2014.
- (21) Incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 13, 2012.
- (22) Incorporated by reference to Exhibit 10.2 to Form 8-K filed on December 13, 2012.
- (23) Incorporated by reference to Exhibit 10.1 to Form 8-K filed on January 8, 2013.

- * Management contract or compensatory plan or arrangement in which an executive officer or director of Progress Software Corporation participates.
- ** Pursuant to Rule 406T of Regulations S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(c) Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown on the financial statements or notes hereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 29th day of January, 2016.

PROGRESS SOFTWARE CORPORATION

By: /s/ PHILIP M. PEAD
Philip M. Pead
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ PHILIP M. PEAD Philip M. Pead	President and Chief Executive Officer (Principal Executive Officer)	January 29, 2016
/s/ CHRIS E. PERKINS Chris E. Perkins	Senior Vice President, Finance and Administration and Chief Financial Officer (Principal Financial Officer)	January 29, 2016
/s/ PAUL A. JALBERT Paul A. Jalbert	Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	January 29, 2016
/s/ BARRY N. BYCOFF Barry N. Bycoff	Director	January 29, 2016
/s/ JOHN R. EGAN John R. Egan	Non-Executive Chairman	January 29, 2016
Ram Gupta	Director	
/s/ CHARLES F. KANE Charles F. Kane	Director	January 29, 2016
/s/ DAVID A. KRALL David A. Krall	Director	January 29, 2016
/s/ MICHAEL L. MARK Michael L. Mark	Director	January 29, 2016

