

PROGRESS SOFTWARE CORP /MA
Form PRRN14A
April 03, 2012

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

(Amendment No. 1)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

PROGRESS SOFTWARE CORPORATION
(Name of Registrant as Specified in Its Charter)

STARBOARD VALUE AND OPPORTUNITY MASTER FUND LTD
STARBOARD VALUE AND OPPORTUNITY S LLC
STARBOARD VALUE LP
STARBOARD VALUE GP LLC
STARBOARD PRINCIPAL CO LP
STARBOARD PRINCIPAL CO GP LLC

JEFFREY C. SMITH
MARK MITCHELL
PETER A. FELD
DALE L. FULLER
JOHN MUTCH
EDWARD TERINO

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
 - “ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
-

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

PRELIMINARY COPY SUBJECT TO COMPLETION
DATED APRIL 3, 2012

STARBOARD VALUE AND OPPORTUNITY MASTER FUND LTD

_____, 2012

Dear Fellow Shareholder:

Starboard Value and Opportunity Master Fund Ltd (“Starboard V&O Fund”) and the other participants in this solicitation (collectively, “Starboard” or “we”) are the beneficial owners of an aggregate of 3,236,000 shares of common stock, par value \$0.01 per share (the “Common Stock”) of Progress Software Corporation (the “Company”), representing approximately 5.2% of the outstanding shares of Common Stock of the Company. For the reasons set forth in the attached Proxy Statement, we are seeking representation on the Board of Directors of the Company. We are seeking your support at the annual meeting of shareholders scheduled to be held at _____ located at _____, _____, _____ on _____, _____, 2012 at __: __ .m., local time, including any adjournments or postponements thereof and any meeting which may be called in lieu thereof (the “Annual Meeting”), for the following:

1. To elect Starboard V&O Fund’s four nominees (the “Nominees”) to the Board of Directors in opposition to certain of the Company’s incumbent directors;
2. To hold an advisory vote on the compensation of the Company’s named executive officers; and
3. To transact such other business, if any, as may properly come before the Annual Meeting or any adjournment or postponement thereof.

We are seeking four seats on the Company’s Board of Directors (the “Board”) to ensure that the interests of the shareholders, the true owners of the Company, are appropriately represented in the boardroom. The Board is currently composed of eight directors, all of whom are up for election at the Annual Meeting. If elected, the Nominees will represent less than a majority of the members of the Board, and therefore it is not guaranteed that they will have the ability to enhance shareholder value.

The enclosed Proxy Statement is soliciting proxies to elect only our Nominees. Accordingly, the enclosed WHITE proxy card may only be voted for our Nominees and does not confer voting power with respect to any of the Company’s director nominees. Shareholders who return the WHITE proxy card will only be able to vote for our four Nominees and will not have the opportunity to vote for the three other seats up for election at the Annual Meeting. You can only vote for the Company’s director nominees by signing and returning a proxy card provided by the Company.

We urge you to carefully consider the information contained in the attached Proxy Statement and then support our efforts by signing, dating and returning the enclosed WHITE proxy card today. The attached Proxy Statement and the enclosed WHITE proxy card are first being furnished to the shareholders on or about _____, 2012.

If you have already voted for the incumbent management slate, you have every right to change your vote by signing, dating and returning a later dated proxy.

If you have any questions or require any assistance with your vote, please contact Okapi Partners LLC, which is assisting us, at their address and toll-free numbers listed below.

Thank you for your support.

Jeffrey C. Smith
Starboard Value and
Opportunity Master Fund Ltd

If you have any questions, require assistance in voting your WHITE proxy card,
or need additional copies of Starboard's proxy materials,
please contact Okapi Partners at the phone numbers or email listed below.

OKAPI PARTNERS LLC

437 Madison Avenue, 28th Floor

New York, N.Y. 10022

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Shareholders Call Toll-Free at: - - -

E-mail: info@okapipartners.com

PRELIMINARY COPY SUBJECT TO COMPLETION
DATED APRIL 3, 2012

2012 ANNUAL MEETING OF SHAREHOLDERS
OF
PROGRESS SOFTWARE CORPORATION

PROXY STATEMENT
OF
STARBOARD VALUE AND OPPORTUNITY MASTER FUND LTD

PLEASE SIGN, DATE AND MAIL THE ENCLOSED WHITE PROXY CARD TODAY

Starboard Value and Opportunity Master Fund Ltd (“Starboard V&O Fund”), Starboard Value and Opportunity S LLC (“Starboard LLC”), Starboard Value LP (“Starboard Value LP”), Starboard Value GP LLC (“Starboard Value GP”), Starboard Principal Co LP (“Principal Co”), Starboard Principal Co GP LLC (“Principal GP”), Peter A. Feld, Mark Mitchell and Jeffrey C. Smith (collectively, “Starboard” or “we”) are significant shareholders of Progress Software Corporation, a Massachusetts corporation (the “Company”), owning approximately 5.2% of the outstanding shares of Common Stock of the Company. We are seeking representation on the Board of Directors of the Company (the “Board”) because we believe that the Board could be improved with independent directors who have strong, relevant backgrounds and the operational expertise necessary to fully explore available opportunities to unlock shareholder value. We are seeking your support at the annual meeting of shareholders scheduled to be held at _____ located at _____, _____, _____ on _____, _____, 2012 at __:__ .m., local time (including any adjournments or postponements thereof and any meeting which may be called in lieu thereof, the “Annual Meeting”), for the following:

1. To elect Starboard V&O Fund’s director nominees, Dale L. Fuller, John Mutch, Jeffrey C. Smith and Edward Terino (each a “Nominee” and, collectively, the “Nominees”), to serve as directors of the Company to hold office until the 2013 annual meeting of shareholders and until their respective successors have been duly elected and qualified, in opposition to certain of the Company’s incumbent directors whose terms expire at the Annual Meeting;
2. To hold an advisory vote on the compensation of the Company’s named executive officers (the “Say on Pay Proposal”); and
3. To transact any other business as may properly come before the Annual Meeting.

The Company has set the close of business on _____, 2012 as the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting (the “Record Date”). The mailing address of the principal executive offices of the Company is 14 Oak Park, Bedford, Massachusetts 01730. Shareholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. According to the Company, as of the Record Date, there were _____ Shares outstanding.

As of the date hereof, the members of Starboard and the Nominees own 3,236,000 shares of common stock, par value \$0.01 per share (the “Shares”) of the Company. We intend to vote such Shares FOR the election of the Nominees and in a manner consistent with the recommendation of Institutional Shareholder Services Inc. (“ISS”), a leading proxy advisory firm, with respect to the Say-on-Pay Proposal, as described herein.

THIS SOLICITATION IS BEING MADE BY STARBOARD AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OR MANAGEMENT OF THE COMPANY. WE ARE NOT AWARE OF ANY OTHER MATTERS TO BE BROUGHT BEFORE THE ANNUAL MEETING OTHER THAN AS SET FORTH IN THIS PROXY STATEMENT. SHOULD OTHER MATTERS, WHICH STARBOARD IS NOT AWARE OF A REASONABLE TIME BEFORE THIS SOLICITATION, BE BROUGHT BEFORE THE ANNUAL MEETING, THE PERSONS NAMED AS PROXIES IN THE ENCLOSED WHITE PROXY CARD WILL VOTE ON SUCH MATTERS IN THEIR DISCRETION.

STARBOARD URGES YOU TO SIGN, DATE AND RETURN THE WHITE PROXY CARD IN FAVOR OF THE ELECTION OF THE NOMINEES.

IF YOU HAVE ALREADY SENT A PROXY CARD FURNISHED BY COMPANY MANAGEMENT OR THE BOARD, YOU MAY REVOKE THAT PROXY AND VOTE FOR EACH OF THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT BY SIGNING, DATING AND RETURNING THE ENCLOSED WHITE PROXY CARD. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS. ANY PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE ANNUAL MEETING BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR A LATER DATED PROXY FOR THE ANNUAL MEETING OR BY VOTING IN PERSON AT THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting—This Proxy Statement and our WHITE proxy card are available at

IMPORTANT

Your vote is important, no matter how few Shares you own. Starboard urges you to sign, date, and return the enclosed WHITE proxy card today to vote FOR the election of the Nominees.

- If your Shares are registered in your own name, please sign and date the enclosed WHITE proxy card and return it to Starboard, c/o Okapi Partners LLC (“Okapi Partners”) in the enclosed postage-paid envelope today.
- If your Shares are held in a brokerage account or bank, you are considered the beneficial owner of the Shares, and these proxy materials, together with a WHITE voting form, are being forwarded to you by your broker or bank. As a beneficial owner, you must instruct your broker, trustee or other representative how to vote. Your broker cannot vote your Shares on your behalf without your instructions.
- Depending upon your broker or custodian, you may be able to vote either by toll-free telephone or by the Internet. Please refer to the enclosed voting form for instructions on how to vote electronically. You may also vote by signing, dating and returning the enclosed voting form.

Since only your latest dated proxy card will count, we urge you not to return any proxy card you receive from the Company. Even if you return the management proxy card marked “withhold” as a protest against the incumbent directors, it will revoke any proxy card you may have previously sent to us. Remember, you can vote for our four independent Nominees only on our WHITE proxy card. So please make certain that the latest dated proxy card you return is the WHITE proxy card.

OKAPI PARTNERS LLC
437 Madison Avenue, 28th Floor
New York, N.Y. 10022
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Shareholders Call Toll-Free at: - - -
E-mail: info@okapipartners.com

Background to the Solicitation

The following is a chronology of events leading up to this proxy solicitation:

- On October 3, 2011, representatives of Starboard met with Tom Barth, Vice President of Finance and Investor Relations for the Company, and Charles Wagner, Executive Vice President, Finance & Administration and Chief Financial Officer, to discuss the Company's strategy and business fundamentals.
- On January 18, 2012, representatives of Starboard met in Boston with Jay Bhatt, the Company's President and Chief Executive Officer (CEO), and Charles Wagner to discuss the Company's strategy moving forward with Mr. Bhatt as the newly appointed CEO.
- On January 24, 2012, Starboard Value LP delivered a letter to Mr. Bhatt, and the members of the Board stating, among other things, Starboard's belief that the Company is deeply undervalued and at its current price, the Company's Application Development Platforms (ADP) segment alone is worth as much as, if not more than, the entire market value of the Company. Starboard stated it believes this valuation discrepancy is, in part, due to the Company's conglomerate structure consisting of a highly profitable mature business along with a money-losing growth business with little to no overlap. The letter also provided an analysis of each of the Company's businesses and product lines to highlight Starboard's serious concern that the current market price of the Company fails to reflect the value of the sum-of-its-parts. Starboard stated that it hopes to work with Mr. Bhatt and the Board to explore ways to unlock value at the Company for the benefit of all shareholders.
- On January 26, 2012, Jeffrey Smith had a call with Mr. Bhatt and Board member Philip Pead to discuss the Company's strategy and business fundamentals and to see if a mutually agreeable resolution could be reached regarding Board composition.
- On January 27, 2012, Starboard V&O Fund delivered a letter to the Company (the "Nomination Letter") nominating Dale L. Fuller, John Mutch, Jeffrey C. Smith and Edward Terino for election to the Board at the Annual Meeting.
- On January 30, 2012, Starboard delivered a letter to Mr. Bhatt and the Board stating that while it is appreciative of the continued dialogue with the Company, it remains confident that the Company is deeply undervalued and that opportunities exist to create value based on actions within the control of management and the Board. The letter further stated that Starboard delivered the Nomination Letter in order to preserve its rights under the Amended and Restated Bylaws of the Company (the "Bylaws") to seek the election of an alternate slate of director nominees at the Annual Meeting. In the letter Starboard also stressed that it remains willing to have a constructive dialogue with the Company and that it feels strongly that the Nominees would increase the quality and independence of the Board while ensuring that the interests of shareholders are adequately represented in the boardroom.
- On January 30, 2012, the Company issued a statement in which it, among other things, confirmed receipt of the Nomination Letter and stated that the nominating and corporate governance committee of the Board would consider the nominations.
- On March 7, 2012, Jeffrey Smith had a meeting with Mr. Bhatt to discuss the Company's strategy and Board composition.
 - On March 30, 2012, Starboard delivered a supplement to the Nomination Letter to the Company.

REASONS FOR THE SOLICITATION

We are soliciting your support to elect our Nominees at the Annual Meeting because we have little confidence in the Board, as currently composed, to take the steps necessary to enhance shareholder value.

WE BELIEVE THE COMPANY IS DEEPLY UNDERVALUED AND ITS CURRENT MARKET PRICE FAILS TO REFLECT THE VALUE OF THE SUM-OF-ITS-PARTS

We believe the Company is deeply undervalued. In our view this is due, in part, to the Company's conglomerate structure consisting of a highly profitable mature business along with a money-losing growth business with little to no overlap. If elected at the Annual Meeting, the Nominees will, subject to their fiduciary duties as directors, endeavor to work with the other members of the Board to review the Company's disparate operating businesses and identify opportunities to address the substantial valuation discrepancy between the intrinsic value of these businesses and the current enterprise value of the Company. However, since the Nominees would comprise less than a majority of the Board, if elected, there can be no assurance that any actions or changes proposed by the Nominees will be adopted or supported by the Board. It is our hope, however, that if shareholders vote to elect our Nominees at the Annual Meeting, then the Board will give serious consideration to any ideas, plans or proposals for enhancing shareholder value that one or more of the Nominees may recommend to the full Board.

In putting forth the Nominees for election at the Annual Meeting, we are not attempting to take control of the Board. However, we do believe significant change to the composition of the Board is warranted given the strong qualifications of our Nominees and the serious issues facing the Company, including the persistent losses for EBS and the sharp decline in revenue growth over the past two quarters.

We believe the value of the Company's Application Development Platforms (ADP) business is worth as much, if not more, than the entire value of the Company.

The Company's ADP business consists primarily of OpenEdge, a suite of products used by small to medium-sized application software companies to build and run their applications. While today OpenEdge is a relatively mature technology, its historical benefits resulted in it being embedded in the software of over 1,500 Independent Software Vendors (ISVs) with more than 60,000 customers worldwide. The ISVs pay the Company a royalty based on revenue they receive from their respective customers, which allows the Company to maintain a very stable customer base with a highly recurring and predictable revenue stream while at the same time minimizing costs. Over the last twelve months alone, the ADP segment has generated revenue of approximately \$326 million and operating profits of \$189 million.

Application Development Platforms (ADP) Revenue and Profitability (\$ in millions)

	2009	2010	2011
Total Revenue	\$328.6	\$333.2	\$326.4
Growth %		1.4 %	(2.0 %)
Operating Profit	\$170.9	\$209.6	\$189.4
Margin %	52.0 %	62.9 %	58.0 %

Source: Progress Software public filings.

Although the ADP business is maturing, in our view the recurring and stable revenue stream, substantial switching costs, and sustained profitability make it extremely valuable. When compared to the Company's enterprise value, the

EBITDA generated by just the ADP business alone indicates a total company valuation of just 5.0x ADP EBITDA before taking into account any value for the Company's EBS and EDS businesses.

Application Development
Platforms (ADP) Valuation (\$ in millions)

PRGS Enterprise Value	\$	971.9	
2011 ADP EBITDA	\$	194.8	
Implied EV / ADP EBITDA		5.0	x

Note: ADP EBITDA estimated based on Wall Street Research estimates. Enterprise Value based on share price as of 1/23/12 (one day prior to Starboard's public letter).

We believe the Company's Enterprise Business Solutions (EBS) business is valuable, but that the market is currently attributing little, if any value to this business due to weak historical operating performance, poor integration of past acquisitions, and a flawed growth strategy.

The Company's EBS business is comprised of a collection of market leading products to help businesses improve performance by gaining visibility into processes and responding to events in real time including the Savvion® business process management suite, the Apama® event processing platform, the Sonic® integration products and certain other products. In contrast to the Company's maturing ADP business, the EBS segment sells directly to customers in one of the fastest growing segments of the software industry and faces intense competition from some of the industry's largest players, including IBM, Oracle, Tibco and Pegasystems.

The competitive nature of the EBS business requires the Company to make significant investments in acquisitions, research and development, and sales and marketing to gain the scale needed to compete. However, despite generating revenue growth of approximately 22% per year over the last three years, both organically and through acquisitions, the EBS segment has produced total losses of approximately \$147 million over the past three years. In 2011 alone, EBS generated losses of \$52 million on revenue of \$136 million.

Enterprise Business Solutions (EBS) Revenue and Profitability (\$ in millions)

	2009	2010	2011
Total Revenue	\$85.1	\$122.1	\$136.8