

Trina Solar LTD
Form SC 13G/A
February 12, 2013

CUSIP NO. 89628E104
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13G

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 1)*

TRINA SOLAR LIMITED

(Name of Issuer)

American Depositary Shares, each representing
50 ordinary shares, par value \$0.00001 per share

(Title of Class of Securities)

89628E104 ^[1]

(CUSIP Number)

December 31, 2012

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(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d 1(b)

Rule 13d 1(c)

Rule 13d 1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial

filing on this form with respect to the subject class of securities, and for any

subsequent amendment containing information which would alter the disclosures provided in

a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be

"filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or

otherwise subject to the liabilities of that section of the Act but shall be subject to

all other provisions of the Act (however, see the Notes).

[1] The title of the securities underlying the American Depository Shares is ordinary shares. The securities covered by this Schedule 13G may include ordinary shares and American Depository Shares. The CUSIP reported is the CUSIP for the American Depository Shares.

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1. NAMES OF REPORTING PERSONS.

Franklin Resources, Inc.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

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(See Item 4)

6. SHARED VOTING POWER

(See Item 4)

7. SOLE DISPOSITIVE POWER

(See Item 4)

8. SHARED DISPOSITIVE POWER

(See Item 4)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

606,796,000

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES []

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

14.9%

12. TYPE OF REPORTING PERSON

HC, CO (See Item 4)

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1. NAMES OF REPORTING PERSONS.

Charles B. Johnson

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

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(See Item 4)

6. SHARED VOTING POWER

(See Item 4)

7. SOLE DISPOSITIVE POWER

(See Item 4)

8. SHARED DISPOSITIVE POWER

(See Item 4)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

606,796,000

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES []

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

14.9%

12. TYPE OF REPORTING PERSON

HC, IN (See Item 4)

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1. NAMES OF REPORTING PERSONS.

Rupert H. Johnson, Jr.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

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(See Item 4)

6. SHARED VOTING POWER

(See Item 4)

7. SOLE DISPOSITIVE POWER

(See Item 4)

8. SHARED DISPOSITIVE POWER

(See Item 4)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

606,796,000

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES []

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

14.9%

12. TYPE OF REPORTING PERSON

HC, IN (See Item 4)

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1. NAMES OF REPORTING PERSONS.

Templeton Global Advisors Limited

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Bahamas

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

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464,784,500

6. SHARED VOTING POWER

9,046,000

7. SOLE DISPOSITIVE POWER

473,830,500

8. SHARED DISPOSITIVE POWER

50,437,000

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

524,267,500

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES []

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

12.9%

12. TYPE OF REPORTING PERSON

IA, CO (See Item 4)

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Item 1.

(a) Name of Issuer

TRINA SOLAR LIMITED

(b) Address of Issuer's Principal Executive Offices

No. 2 Tian He Road
Electronics Park, New District
Changzhou, Jiangsu 213031
People's Republic of China

Item 2.

(a) Name of Person Filing

(i): Franklin Resources, Inc.

(ii): Charles B. Johnson

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(iii): Rupert H. Johnson, Jr.

(iv): Templeton Global Advisors Limited

(b) Address of Principal Business Office or, if none, Residence

(i), (ii), and (iii):

One Franklin Parkway

San Mateo, CA 94403 1906

(iv): Templeton Building, Lyford Cay

Nassau, Bahamas

(c) Citizenship

(i): Delaware

(ii) and (iii): USA

(iv): Bahamas

(d) Title of Class of Securities

American Depositary Shares, each representing

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50 ordinary shares, par value \$0.00001 per share

(e) CUSIP Number

89628E104

CUSIP NO. 89628E104

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Item 3. If this statement is filed pursuant to §§240.13d 1(b) or 240.13d 2(b) or (c),

check whether the person filing is a:

(a) Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C.

78c).

(d) Investment company registered under section 8 of the Investment Company

Act of 1940 (15 U.S.C 80a 8).

(e) An investment adviser in accordance with §240.13d 1(b)(1)(ii)(E);

(f) An employee benefit plan or endowment fund in accordance with

§240.13d 1(b)(1)(ii)(F);

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(g) A parent holding company or control person in accordance with
§240.13d 1(b) (1) (ii) (G);

(h) A savings associations as defined in Section 3(b) of the
Federal Deposit

Insurance Act (12 U.S.C. 1813);

(i) A church plan that is excluded from the definition of an
investment

company under section 3(c) (14) of the Investment Company Act
of 1940 (15

U.S.C. 80a 3);

(j) A non U.S. institution in accordance with §240.13d 1(b) (ii) (J);

(k) Group, in accordance with §240.13d 1(b) (1) (ii) (K).

If filing as a non U.S. institution in accordance with
§240.13d 1(b) (1) (ii) (J).

please specify the type of institution:

Item 4. Ownership

The securities reported herein are beneficially owned by one or more open
or

closed end investment companies or other managed accounts that are
investment

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management clients of investment managers that are direct and indirect subsidiaries

(each, an "Investment Management Subsidiary" and, collectively, the "Investment

Management Subsidiaries") of Franklin Resources Inc. ("FRI"), including the Investment

Management Subsidiaries listed in this Item 4. When an investment management contract

(including a sub advisory agreement) delegates to an Investment Management Subsidiary

investment discretion or voting power over the securities held in the investment

advisory accounts that are subject to that agreement, FRI treats the Investment

Management Subsidiary as having sole investment discretion or voting authority, as the

case may be, unless the agreement specifies otherwise. Accordingly, each Investment

Management Subsidiary reports on Schedule 13G that it has sole investment discretion

and voting authority over the securities covered by any such investment management

agreement, unless otherwise noted in this Item 4. As a result, for purposes of Rule

13d 3 under the Act, the Investment Management Subsidiaries listed in this Item 4 may

be deemed to be the beneficial owners of the securities reported in this Schedule 13G.

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Beneficial ownership by Investment Management Subsidiaries and other FRI affiliates is

being reported in conformity with the guidelines articulated by the SEC staff in

Release No. 34 39538 (January 12, 1998) relating to organizations, such as FRI, where

related entities exercise voting and investment powers over the securities being

reported independently from each other. The voting and investment powers held by

Franklin Mutual Advisers, LLC ("FMA"), an indirect wholly owned Investment Management

Subsidiary, are exercised independently from FRI and from all other Investment

Management Subsidiaries (FRI, its affiliates and the Investment Management

Subsidiaries other than FMA are collectively, "FRI affiliates"). Furthermore, internal

policies and procedures of FMA and FRI establish informational barriers that prevent

the flow between FMA and the FRI affiliates of information that relates to the voting

and investment powers over the securities owned by their respective management

clients. Consequently, FMA and FRI affiliates report the securities over which they

hold investment and voting power separately from each other for purposes of Section 13

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of the Act.

Charles B. Johnson and Rupert H. Johnson, Jr. (the "Principal Shareholders") each own

in excess of 10% of the outstanding common stock of FRI and are the principal

stockholders of FRI. FRI and the Principal Shareholders may be deemed to be, for

purposes of Rule 13d 3 under the Act, the beneficial owners of securities held by

persons and entities for whom or for which FRI subsidiaries provide investment

management services. The number of shares that may be deemed to be beneficially owned

and the percentage of the class of which such shares are a part are reported in Items

9 and 11 of the cover pages for FRI and each of the Principal Shareholders. FRI, the

Principal Shareholders and each of the Investment Management Subsidiaries disclaim any

pecuniary interest in any of the such securities. In addition, the filing of this

Schedule 13G on behalf of the Principal Shareholders, FRI and the FRI affiliates, as

applicable, should not be construed as an admission that any of them is, and each of

them disclaims that it is, the beneficial owner, as defined in Rule 13d 3, of any of

the securities reported in this Schedule 13G.

FRI, the Principal Shareholders, and each of the Investment Management Subsidiaries

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believe that they are not a "group" within the meaning of Rule 13d 5 under the Act and

that they are not otherwise required to attribute to each other the beneficial

ownership of the securities held by any of them or by any persons or entities for whom

or for which the Investment Management Subsidiaries provide investment management

services.

(a) Amount beneficially owned:

606,796,000

(b) Percent of class:

14.9%

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote

Franklin Resources,
Inc.: 0

Charles B.
Johnson: 0

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Jr.: Rupert H. Johnson, 0

464,784,500 Templeton Global Advisors Limited:

82,528,500 Templeton Investment Counsel, LLC:

(ii) Shared power to vote or to direct the vote

9,046,000 Templeton Global Advisors Limited:

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(iii) Sole power to dispose or to direct the disposition of

Franklin Resources,
Inc.: 0

Charles B.
Johnson: 0

Rupert H. Johnson, Jr.: &nbs> Charles Wagner, who became our Chief Financial Officer on November 15, 2010, Norman Robertson, who was our Chief Financial Officer until November 15, 2010, Christopher Larsen, our Executive Vice President, Global Field Operations, Gary Conway, our Executive Vice President, Chief Marketing Officer, David Benson, our Executive Vice President, Chief Information Officer, and Robert Levy, our former Executive Vice President, Chief Product Officer.

We are required by SEC rules to include Mr. Levy, who ceased to be an executive officer on October 31, 2010 and terminated employment on December 30, 2010, because Mr. Levy would have been among our three other most highly compensated executive officers during fiscal 2010 but for the fact that he ceased to be an executive officer prior to November 30, 2010.

We refer to these individuals collectively as our named executive officers.

Administration and Objectives of our Executive Compensation Program

Our Compensation Committee is responsible for establishing and administering our policies governing the compensation of our executive officers, including salaries, cash incentives and equity incentive compensation. Our Compensation Committee consists of three independent members of our Board of Directors, all with extensive experience in the software industry.

Our Compensation Committee has designed our overall executive compensation program to achieve the following objectives:

attract and retain talented executives in today's highly competitive market;

motivate and reward executives whose knowledge, skills and performance are critical to our success;

provide a competitive compensation package that aligns the interests of our executive officers and shareholders by tying a significant portion of an executive's cash compensation to the achievement of performance goals; and

ensure fairness among the executive management team by recognizing the contributions each executive makes to our success.

We use a mix of short-term compensation (base salaries and cash incentive bonuses) and long-term compensation (equity incentive compensation) to provide a total compensation structure that is designed to

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achieve these objectives. In determining whether to adjust the compensation of any one of our named executive officers, the Compensation Committee takes into account market compensation levels for each role, the contributions and performance of each named executive officer, and any changes in the responsibilities and roles of each named executive officer. The Compensation Committee also takes into account the recommendations of our Chief Executive Officer.

Roles of the Compensation Committee, the Chief Executive Officer and Compensation Consultant

Our Compensation Committee reviews and approves the annual salary and annual cash incentive awards as well as all long-term equity incentive awards for each Section 16 officer, administers our equity plans, determines or consults with management regarding compensation and benefits for our non-executive officers and other employees (as appropriate) and oversees our compensation and benefits plans, policies and programs generally. Our Compensation Committee establishes our general compensation policies, as well as compensation plans and specific compensation levels for the Section 16 officers other than our Chief Executive Officer. Our Compensation Committee reviews and recommends to our Board of Directors for its approval, the compensation of our Chief Executive Officer.

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

Our Chief Executive Officer typically initially discusses his recommendations with the Chairman of the Compensation Committee or has management present them at Compensation Committee meetings. The compensation and benefits group within our Human Resources Department and individuals within our Legal Department support the Compensation Committee in the performance of its responsibilities. During fiscal year 2010, our Chief Financial Officer, Senior Vice President of Human Resources, Senior Vice President, General Counsel & Secretary and other representatives of the human resources, finance and legal departments regularly attended the Compensation Committee meetings to provide perspectives on the competitive landscape, the needs of the business, information about our financial performance and relevant legal and regulatory developments. The Compensation Committee periodically meets in executive session without management to deliberate on executive compensation matters. The Compensation Committee considers, but is not bound to and does not always accept, the Chief Executive Officer's recommendations regarding executive compensation. The Compensation Committee reviews all recommendations in light of our compensation philosophy and generally seeks input from Radford prior to making any final decisions.

For the past several years, our Compensation Committee has engaged Radford as its outside compensation consultant to advise the Compensation Committee on all matters related to executive compensation. Radford does not directly provide any other services for us other than to provide compensation surveys to our Human Resources Department. Radford consults with our management only as necessary to obtain relevant compensation and performance data for the executives as well as essential business information so that it can effectively support the Compensation Committee with appropriate competitive market information and relevant analyses.

Radford provides a range of services to the Compensation Committee to support the Compensation Committee's agenda and obligations, including providing regulatory updates, peer group compensation data so that the Compensation Committee can set compensation for executives in accordance with our policies, advice on the structure and competitiveness of our compensation programs (including benefits provided by our peers upon a change in control and otherwise as part of their compensation programs), and advice on the consistency of our programs with our executive compensation philosophy. Representatives of Radford attend Compensation Committee meetings and provide advice to the Compensation Committee upon its request. Typically,

management works with Radford on matters for the Compensation Committee where that work is requested by the Compensation Committee.

We paid approximately \$81,550 to Radford for services performed for the Compensation Committee during fiscal year 2010.

Peer Group Selection

To assist the Compensation Committee in making decisions on total compensation for executives and company-wide equity grants, the Compensation Committee utilizes peer and industry group data and analysis provided by Radford. Radford provided the following studies: Executive Compensation Review and Aggregate Equity Usage . The Executive Compensation Review prepared by Radford utilized the survey data from the Radford High Technology Executive Compensation Survey and peer group data to benchmark the various elements of executive pay. The Aggregate Equity Usage report utilized the peer group data and general market data for details of equity practices, in particular stock option burn rates. The Compensation Committee believes that it is important to benchmark compensation against our peer group because we directly compete with these companies to hire executive talent.

For fiscal year 2010, the peer group list was comprised of 17 other companies in the software industry with revenue and market capitalization comparable to us. The peer group list is reviewed on an annual basis to ensure the companies remain a valid comparison and to account for any corporate structure changes in the peer groups, such as an acquisition by another company. In December 2009, at the time Radford compiled data for the peer group, the companies in the peer group ranged in size on a revenue basis from approximately \$0.3 billion to \$1.6 billion with a median of \$0.7 billion as compared to our revenue of \$0.5 billion, and on a market capitalization basis from approximately \$0.1 billion to \$9.2 billion with a median of \$1.9 billion as compared to our market capitalization of \$1.2 billion. We may include companies that do not fit these criteria if we believe that we are directly competing with those companies for executive talent.

2010 Peer Group List

Akamai (Ticker Symbol:AKAM)

ANSYS (ANSS)

Ariba (ARBA)

Citrix Systems, Inc. (CTXS)

Eclipsys (ECLP)

Informatica Corporation (INFA)

JDA Software Group (JDAS)

Mentor Graphics (MENT)

Nuance Communications (NUAN)

Parametric Technology Corporation (PMTTC)

Pegasystems (PEGA)

Quest Software (QSFT)

Red Hat, Inc. (RHT)

Riverbed (RVBD)

Salesforce.com, inc. (CRM)

Sybase, Inc. (SY)

TIBCO Software Inc. (TIBX)

We also use survey data for additional perspective on executive compensation. We participate in the Radford Executive Survey to benchmark our executives, including the named executive officers, to the marketplace. The materials from Radford include a comprehensive report providing details on the benchmark positions used for each executive as well as analysis on base salary, short-term incentives, total actual cash, total

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target cash compensation, actual total direct compensation and target total direct compensation. The survey data was comprised of compensation information from companies in the high technology industry with revenue ranging from \$0.4 billion to \$0.8 billion. There were 57 companies that fit within this criterion.

Executive Compensation Components

Our executive compensation program is primarily composed of the following elements:

Base salary;

Incentive compensation in the form of annual cash incentive awards, through our Corporate Incentive Compensation Plan; and

Equity-based long-term incentive compensation in the form of stock options and restricted stock units.

Our Compensation Committee has not adopted a formal policy for allocating between these various forms of compensation. However, we generally strive to provide our named executive officers with a balance of short-term and long-term incentives. In addition, we provide our executives with benefits that are generally available to other employees, including medical, dental, group life and disability insurance and our 401(k) plan. We also have entered into an Employee Retention and Motivation Agreement with each of our named executive officers, which provides for payments and benefits upon a change of control of our company and/or certain involuntary terminations of employment thereafter.

Within the context of the overall objectives of our compensation programs, the Compensation Committee determined the specific amounts of compensation, including base salary, incentive cash compensation and equity compensation, to be paid to each of our executives for our fiscal year ended November 30, 2010 based on a number of factors, including:

our understanding of compensation generally paid by similarly-situated companies to their executives with similar roles and responsibilities;

the roles and responsibilities of our executives; and

the individual experience and skills of, and expected contributions from, our executives.

We discuss each of the primary elements of our executive compensation program in detail below. While we have identified particular compensation objectives that each element of executive compensation serves, our compensation programs are meant to complement each other and collectively serve all of our executive compensation objectives described above. Accordingly, whether or not specifically mentioned below, we believe that, as a part of our overall executive compensation, each element to a greater or lesser extent serves each of our objectives.

Overall Considerations

Considerations for Mr. Reidy

In March 2009, at the time of Mr. Reidy's promotion to Chief Executive Officer, the Compensation Committee determined that Mr. Reidy's base salary should be increased to \$450,000 and his target incentive percentage should be increased to 100% of his base salary to reflect the then current 50th percentile market levels for Chief Executive Officers of similar software companies. However, consistent with the base salary freeze in place company-wide during FY09, the Compensation Committee and Mr. Reidy agreed to defer the increase to his base salary and target incentive percentage until the base salary freeze was lifted.

Effective December 1, 2009, with the lifting of the base salary freeze, the Compensation Committee increased Mr. Reidy's base salary to \$450,000 and increased his target incentive percentage to 100%. Mr. Reidy's base salary was subsequently increased to \$500,000 in April 2010 to reflect the then current 50th percentile market levels for Chief Executive Officers of similar software companies.

Considerations for Mr. Wagner

Mr. Wagner became our Chief Financial Officer in November 2010. The terms of Mr. Wagner's initial compensation are determined by the employment letter we entered into with him in October 2010. Pursuant to this employment letter, Mr. Wagner is paid a base salary of \$400,000 and his target incentive compensation is \$250,000. Mr. Wagner also received a new hire equity award of 180,000 stock options and 48,000 RSUs. At the request of the Compensation Committee, we consulted with Radford in determining the compensation to be paid to Mr. Wagner and the Compensation Committee approved the terms of Mr. Wagner's employment letter.

Considerations for Mr. Robertson

Prior to Mr. Wagner joining our company, Mr. Robertson was Chief Financial Officer. In April 2010, we announced that Mr. Robertson intended to retire before the end of 2010. As a result, Mr. Robertson's FY10 base salary and target incentive compensation percentage remained the same as in FY09 and Mr. Robertson received no additional equity awards.

In connection with his change in status, we entered into a letter agreement with Mr. Robertson providing the terms of his severance arrangements in connection with the termination of his employment. This letter agreement provides for Mr. Robertson to receive eighteen months of his total target compensation, which will be paid out monthly over an eighteen month period, and the continuation of Mr. Robertson's benefits (such as medical, dental, vision and life insurance) for eighteen months. In addition, any unvested options and restricted equity held by Mr. Robertson as of the date of termination that would have vested during the twelve month period following that date if Mr. Robertson had remained employed by us, will automatically vest. Lastly, we extended the period of time following the termination of Mr. Robertson's employment during which he may exercise vested stock options until December 9, 2011.

At the request of the Compensation Committee, we consulted with Radford with respect to the transition and severance arrangements to be paid to Mr. Robertson and the Compensation Committee approved the terms of these arrangements.

Considerations for Mr. Larsen

Mr. Larsen became our Senior Vice President, Global Field Operations in September 2009. The terms of Mr. Larsen's initial compensation were determined by the employment letter we entered into with him in connection with his joining our company. Pursuant to this employment letter, Mr. Larsen is paid a base salary of \$350,000 and his target incentive compensation is \$300,000. Mr. Larsen also received a new hire equity award of 105,000 stock options and 18,000 RSUs. At the request of the Compensation Committee, we consulted with Radford in determining the compensation to be paid to Mr. Larsen and the Compensation Committee approved the terms of Mr. Larsen's employment letter.

As a new hire equity award recipient, Mr. Larsen was not eligible to receive an equity award under our FY10 annual equity award program. However, in January 2010, our Compensation Committee, upon the recommendation of Mr. Reidy, granted a special equity award to Mr. Larsen consisting of 90,000 stock options and 24,000 RSUs. Mr. Reidy recommended this award as necessary for the continued success of our long-term goals and overall retention of Mr. Larsen.

As Mr. Larsen is directly responsible for our sales organization, we believe the most important factors in setting his annual performance goals are overall revenue achievement, growth in licensing revenues and meeting

and exceeding services profit margin targets. As a result, Mr. Larsen participates in an individual sales incentive plan utilizing these performance goals. A portion of Mr. Larsen's incentive compensation is also determined by performance under the Corporate Incentive Compensation Plan.

Considerations for Mr. Conway

Mr. Conway became our Chief Marketing Officer in October 2008. In January 2010, our Compensation Committee, upon the recommendation of Mr. Reidy, granted a special equity award to Mr. Conway consisting of 45,000 stock options and 12,000 RSUs. Mr. Reidy recommended this award as necessary for the continued success of our long-term goals and overall retention of Mr. Conway.

Considerations for Mr. Benson

Mr. Benson became our Chief Information Officer in June 2009. The terms of Mr. Benson's initial compensation were determined by the employment letter we entered into with him in connection with his joining our company. Pursuant to this employment letter, among other compensation, Mr. Benson received a new hire equity award of 45,000 stock options and 12,000 RSUs. In July 2009, the first installment of this new hire equity award, consisting of one-half of the stock options and all of the RSUs, was issued. In January 2010, the second installment of this new hire equity award, consisting of the second-half of the stock options, was issued.

Considerations for Mr. Levy

Mr. Levy became our Chief Product Officer in February 2010. The terms of Mr. Levy's initial compensation were determined by the employment letter we entered into with him in January 2010 in connection with his joining our company. Pursuant to this employment letter, Mr. Levy was paid a base salary of \$375,000 and his target incentive compensation was \$275,000. Mr. Levy also received a new hire equity award of 180,000 stock options and 48,000 RSUs. At the request of the Compensation Committee, we consulted with Radford in determining the compensation to be paid to Mr. Levy and the Compensation Committee approved the terms of Mr. Levy's employment letter.

In October 2010, in connection with our announcement that Mr. Levy would be leaving our company, Mr. Levy was relieved of his responsibilities as Chief Product Officer and ceased to be an executive officer. On December 30, 2010, we entered into a separation and release agreement with Mr. Levy setting forth the terms of his termination of employment. Under this separation and release agreement, we agreed to pay Mr. Levy aggregate cash severance of \$360,000, payable monthly until June 2011 and we agreed to continue various benefits (medical, dental, vision and life insurance) until December 31, 2011. We also agreed not to terminate 17,100 RSUs previously issued to him as part of his new hire equity award, with those RSUs vesting on June 1, 2011, subject to Mr. Levy's compliance with his separation and release agreement.

Analysis of Compensation Decisions for 2010

Base Salary

The Compensation Committee annually reviews total target cash compensation ranges, including base salary, for each of our named executive officers, during the first fiscal quarter. Base salaries may be adjusted by our Compensation Committee in accordance with various criteria, including:

individual performance;

levels of responsibilities;

individual competencies, skills and contributions;

functions performed;

peer group compensation levels for comparable positions;

internal compensation equity issues; and

our general financial performance.

Our Chief Executive Officer proposes base salary amounts for all executive officers other than himself, for the Compensation Committee's consideration based on his evaluation of these criteria. The Compensation Committee retains the discretion to provide base salary increases in the event that an executive officer is appointed to a position of increased responsibility. The weight given each factor by the Compensation Committee may vary with each individual.

For 2010, the philosophy of the Compensation Committee was to target base salary for our executive officers at or below the 50th percentile.

For fiscal year 2010, the base salaries of the named executive officers were as follows:

Name	FY10 Base Salary	FY09 Base Salary
Mr. Reidy	\$ 500,000	\$ 350,000
Mr. Wagner	\$ 400,000	
Mr. Robertson	\$ 320,000	\$ 320,000
Mr. Larsen	\$ 350,000	\$ 350,000
Mr. Conway	\$ 362,500	\$ 350,000
Mr. Benson	\$ 312,500	\$ 300,000
Mr. Levy	\$ 375,000	

The increases in the base salaries of Mr. Reidy, Mr. Conway and Mr. Benson from FY09 base salary levels were made effective April 2010.

Annual Cash Incentive Program

It is our philosophy to base a significant portion of an executive officer's total compensation opportunity on performance incentives. Our named executive officers participate in our Corporate Incentive Compensation Plan, which is intended to provide an incentive for superior work and to motivate eligible executive officers toward overall business results, to tie their goals and interests to those of the company and its shareholders, and to enable the company to attract and retain highly qualified executives. This bonus plan is administered by our Compensation Committee.

We calculate and pay bonuses under the Corporate Incentive Compensation Plan as follows:

Base Salary	X	Individual Target Incentive Percentage	X	Corporate Attainment Percentage	=	Bonus Payout
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In March 2010, the Compensation Committee decided to measure performance under the FY10 Corporate Incentive Compensation Plan as two separate half-year plans, with the first half applicable to the period from December 1, 2009 until May 31, 2010, and the second half applicable to the period from June 1, 2010 until

November 30, 2010. The design of the two half-year plans was essentially identical and payout under both halves of the plan would not occur until January 2011. As described below, the primary difference between the two plans was the specific performance targets utilized. However, at the time the Compensation Committee determined to separate the two plans, the Compensation Committee retained the discretion to utilize different performance metrics or other design features applicable to the second half plan. The Compensation Committee adopted the two half-year plan approach for the FY10 Corporate Executive Bonus Plan upon the recommendation of management based on the continued uncertainty in the global economy that existed in early 2010 and the effects of the challenging economic environment on planning for the fiscal year.

Individual Target Incentive Percentages. The Compensation Committee establishes individual target incentive percentages as part of its annual review of each executive's compensation. The Compensation Committee established the following target incentives, as a percentage of base salary, for the named executive officers in 2010:

Name	FY10 Target Incentive Percentage
Mr. Reidy	100%
Mr. Wagner	63%
Mr. Robertson	78%
Mr. Larsen	17%
Mr. Conway	45%
Mr. Benson	51%
Mr. Levy	73%

As described below, Mr. Larsen participates in an individual sales incentive plan, under the terms of which 20% of his incentive compensation is determined by performance under the Corporate Incentive Compensation Plan. The amount shown in the table above reflects only that percentage of Mr. Larsen's base salary applicable to his target incentive compensation determined under the Corporate Incentive Compensation Plan.

The Compensation Committee set these target incentive percentages to ensure that a substantial portion of each executive's cash compensation is linked directly to business performance and to provide the executives with a performance-based opportunity to achieve total cash compensation at approximately the 50th percentile of the peer group. As described above, Mr. Reidy's target incentive compensation percentage was increased for FY10 to reflect market practices for similarly situated Chief Executive Officers. The Compensation Committee maintained the target incentive percentages for Mr. Robertson, Mr. Larsen, Mr. Benson and Mr. Conway at the same levels as in the prior year because their total target cash compensation was within the ranges of total actual cash compensation at the 50th percentile in the peer group. Mr. Wagner and Mr. Levy joined our company after the beginning of fiscal year 2010.

Corporate Attainment Percentage. Executive officers may receive an incentive compensation payment under the bonus plan based upon the attainment of performance targets which are established by the Compensation Committee. These performance goals are based on our growth strategy as reflected in our annual operating budget.

In March 2010, the Compensation Committee formally approved corporate goals under the bonus plan applicable to the first half of FY10 for our named executive officers. In July 2010, the Compensation Committee

formally approved corporate goals under the bonus plan applicable to the second half of FY10. As in prior years, these corporate goals were based on non-GAAP total revenue and non-GAAP operating income for the current fiscal year. The Compensation Committee also included a third performance goal tied to the growth of revenue from our Enterprise Business Solutions product lines. The Compensation Committee included this third performance goal as an incentive for us to achieve further growth in our newer product lines. Our Board of Directors discussed and reviewed operating plans with management during board presentations in September and December 2009. The Compensation Committee reviewed and discussed performance goals and incentive bonus plan designs with management during committee meetings in January, February, March and July 2010.

For each half-year plan, one-third of a named executive officer's bonus was contingent upon the attainment of the performance goal related to our non-GAAP total revenue, one-third was contingent upon the attainment of the performance goal related to our non-GAAP operating income and one-third was contingent upon the attainment of the performance goal related to revenue in the Enterprise Business Solutions product lines. The Compensation Committee communicated the bonus criteria to the named executive officers after those criteria were established. As described above, Mr. Larsen's target incentive compensation was determined in accordance with his individual sales incentive plan, under the terms of which, 20% of Mr. Larsen's target incentive compensation was subject to performance under the FY10 Corporate Incentive Compensation Plan. The Compensation Committee may in its discretion adjust bonuses payable under the bonus plan based on the achievement of individual performance goals, although no such adjustments occurred with respect to the FY10 plan.

The Compensation Committee established a minimum level of non-GAAP total revenue, a minimum level of non-GAAP operating income and a minimum level of selected product line revenue for the each half of fiscal year 2010, which minimum level must be achieved for an executive officer to receive any portion of his target bonus amount allocated to that performance goal. Once the minimum threshold has been achieved, the attainment percentage for each performance goal for an executive officer's bonus is a linear calculation of:

$$\frac{\text{actual amount} - \text{threshold amount}}{\text{target amount} - \text{threshold amount}}$$

$$\times 100\%$$

For the first-half plan, the maximum attainment percentage was set at 100%. For the second-half plan, the maximum attainment percentage was set at 200%.

For the first-half plan, the following table details the determination of the corporate attainment percentage:

Plan Metric	Bonus Factor (%)	Threshold	Target	Actual	Attainment %
Non-GAAP total revenue	33.3%	\$ 240.0M	\$ 264.0M	\$ 258.8M	78.2%
Enterprise Business Solutions revenue	33.3%	\$ 47.0M	\$ 61.0M	\$ 56.0M	64.4%
Non-GAAP operating income	33.3%	\$ 51.0M	\$ 69.0M	\$ 70.7M	109.2%
Attainment %					84%

For the second-half plan, the following table details the determination of the corporate attainment percentage:

Plan Metric	Bonus Factor (%)	Threshold	Target	Actual	Attainment %
Non-GAAP total revenue	33.3%	\$ 236.5M	\$ 260.5M	\$ 276.8M	168.1%
Enterprise Business Solutions revenue	33.3%	\$ 58.0M	\$ 75.0M	\$ 72.5M	85.3%
Non-GAAP operating income	33.3%	\$ 68.2M	\$ 86.2M	\$ 91.2M	127.5%
Attainment %					127%

Non-GAAP total revenue differs from revenue determined under generally accepted accounting principles (GAAP) by excluding purchase accounting adjustments related to deferred revenue. Non-GAAP operating income differs from operating income determined under GAAP by excluding amortization of acquired intangibles, stock-based compensation, purchase accounting adjustments related to deferred revenue, and restructuring and acquisition-related expenses. We use non-GAAP measures to make operational and investment decisions because we believe the costs and expenses that we exclude from GAAP revenue and GAAP operating income are not tied to our core results. For these reasons, we also use non-GAAP revenue and non-GAAP operating income as performance goals.

These target incentive bonus amounts represented over 40% of the named executive's total target cash compensation. Thus, these targets represented a significant percentage of our named executive officers' total target cash compensation and varied depending on the position of the named executive officer, with our Chief Executive Officer having the greatest percentage of his compensation tied to the company's targets since he has the most influence over the success of our company.

Based on the achievement of the performance goals described above, the named executive officers, other than Mr. Levy, were paid the bonus amounts set forth in the tables below. To determine a named executive officers' bonus amount, the calculation described above was computed for each half year plan. The maximum incentive amount applicable to the first half incentive compensation plan was capped at 100% achievement and the maximum incentive amount applicable to the second half plan was capped at 200% achievement.

FY10 1st half

	FY10 1st half Threshold Incentive Amount	FY10 1st half Target Incentive Amount (1)	FY10 1st half Maximum Incentive Amount (1)	FY10 1st half Actual Incentive Amount (2)
Name				
Mr. Reidy	0	\$ 250,000	\$ 250,000	\$ 195,462
Mr. Wagner				
Mr. Robertson	0	\$ 125,000	\$ 125,000	\$ 105,000
Mr. Larsen	0	\$ 30,000	\$ 30,000	\$ 25,200
Mr. Conway	0	\$ 81,750	\$ 81,750	\$ 64,615
Mr. Benson	0	\$ 80,000	\$ 80,000	\$ 64,292
Mr. Levy	0	\$ 137,500	\$ 137,500	

(1) The amounts shown in these columns with respect to Mr. Reidy, Mr. Conway and Mr. Benson represent the amounts established by our Compensation Committee after base salary increases made effective in April 2010. Mr. Larsen's incentive amount reflects only that portion of his incentive compensation determined under the Corporate Incentive Compensation Plan.

(2) The amounts shown in this column with respect to Mr. Reidy, Mr. Conway and Mr. Benson represent the actual incentive amounts prorated to reflect the base salary increases made effective in April 2010. Mr. Levy did not receive any incentive cash compensation for the first half of FY10 as his employment with our company terminated in December 2010.

FY10 2nd Half

Name	FY10	FY10 2 nd	FY10 2 nd	FY10 2 nd	Total
	2 nd	2 nd	2 nd	2 nd	2 nd
	half	half	half	half	half
	Threshold	Target	Maximum	Incentive	Incentive
	Incentive	Incentive	Incentive	Amount	Amount
	Amount	Amount	Amount	(1)	(1)
Mr. Reidy	0	\$ 250,000	\$ 500,000	\$ 317,500	\$ 512,962
Mr. Wagner	0	\$ 250,000	\$ 500,000	\$ 13,012	\$ 13,012
Mr. Robertson	0	\$ 125,000	\$ 250,000	\$ 158,750	\$ 263,750
Mr. Larsen	0	\$ 30,000	\$ 60,000	\$ 38,100	\$ 63,300
Mr. Conway	0	\$ 81,750	\$ 162,500	\$ 103,188	\$ 167,803
Mr. Benson	0	\$ 80,000	\$ 160,000	\$ 101,600	\$ 165,892
Mr. Levy	0	\$ 137,500	\$ 275,000		

(1) The amounts shown in these columns with respect to Mr. Wagner are pro-rated to reflect the fact that he joined our company in November 2010. Mr. Levy did not receive any incentive cash compensation for fiscal year 2010 as his employment with our company terminated in December 2010.

As described above, Mr. Larsen participates in an individual sales incentive plan, a component of which is tied to performance under the Corporate Executive Bonus Plan. Set forth in the table below are the components of Mr. Larsen's FY10 target incentive compensation.

Components	Weight	FY10 Target Variable Comp	Achievement Percentage	FY10 Actual Incentive Amount
Global License Bookings	40%	\$ 120,000	84%	\$ 100,694
Services Margin \$	20%	\$ 60,000	61%	\$ 36,847
PSC Corporate Incentive Plan	20%	\$ 60,000	105%	\$ 63,000
Total Bookings (WW)	20%	\$ 60,000	97%	\$ 58,378
	100%	\$ 300,000	86%	\$ 258,919

For FY11, the Compensation Committee has determined not to measure performance under the annual cash incentive compensation plan as two half-year plans and, as in prior years, the FY11 Corporate Incentive Compensation Plan will be a full-year plan. For FY11, the Compensation Committee has adopted a two-tiered approach to the incentive compensation plan design. For all employees below the Vice President level, the plan metrics will be total non-GAAP revenue, non-GAAP operating income and revenue from our Responsive Process Management product line, with the total non-GAAP revenue metric being weighted at 50%, the non-GAAP operating income metric being weighted at 35% and the RPM product line revenue metric being weighted at 15%.

For Mr. Reidy and our Vice Presidents, including the other named executive officers, the FY11 Corporate Incentive Compensation Plan will utilize a combination of financial and non-financial metrics as the incentive compensation design for FY11. 85% of the incentive compensation opportunity would be determined by the same three financial metrics and targets described in the preceding paragraph, except that 35% weighting would apply to total non-GAAP revenue, 35% to non-GAAP operating income and 15% to RPM product line revenue. The remaining 15% of the incentive compensation opportunity would be determined by various non-financial performance metrics.

Equity Compensation

We also use equity compensation to attract, retain, motivate and reward our named executive officers. We issue annual and new hire equity awards based on guidelines for awards commensurate with position levels and that reflect grant practices within our peer group. Since 2009, equity awards to named executive officers and other recipients have typically been made in the form of a combination of stock options and RSUs. For 2009 and 2010, each equity award was expressed as stock option equivalent shares, with 60% of the award coming in the form of stock options and 40% in the form of RSUs. We have assigned each RSU a value that is the equivalent of 2.5 stock options.

Stock option grants are intended to correlate executive compensation with our long-term success as measured by our stock price. Stock options are tied to our future success because options granted have an exercise price equal to the closing market value at the date of grant and will only provide value to the extent that the price of our stock increases above the exercise price.

Stock option awards provide our named executive officers with the right to purchase shares of our common stock at a fixed exercise price, typically for a period of either ten years, if awarded prior to 2005, or seven years, if awarded since 2005, subject to continued employment with our company. Stock options generally vest in monthly increments over a five-year period. We believe that meaningful vesting periods encourage recipients to remain with the Company over the long-term and, because the value of the awards is based on our stock price, stock options encourage recipients to focus on achievement of longer-term goals, such as strategic growth, business innovation and shareholder return. In general, employees whose employment terminates (other than for death or disability) before the award fully vests forfeit the unvested portions of these awards. While we believe that our longer vesting periods serve our employee retention goals, they tend to increase the number of stock options outstanding at any given time compared to companies that grant stock options with shorter vesting schedules.

RSUs typically vest in six equal installments over three years beginning six months after issuance. In a volatile stock market, RSUs continue to provide value when stock options may not, which the Compensation Committee felt would be useful in retaining talented executives in unpredictable economic times.

The Compensation Committee's decisions regarding the amount and type of equity incentive compensation, the allocation of equity and relative weighting of these awards within total executive compensation have been based on the Compensation Committee's understanding and individual experiences of market practices of similarly-situated companies. Equity-based incentive awards are intended to be the longer-term components of our overall executive compensation program. While annual incentive cash compensation is designed to encourage shorter-term performance (generally performance over a one-year period), equity-based awards are designed to encourage performance by our executive officers over several years.

To determine the size of the equity awards, the Compensation Committee first determined the total number of shares that would be available for the annual equity awards to all proposed recipients. The total number of shares is determined by consideration of the potential dilution to our shareholders, average burn rate of other companies in our industry and value of the equity awards compared to our peer group. The Compensation Committee utilizes the grant data from the peer group and the survey data provided by Radford to assist it in determining the size of the overall equity pool for our company as well as the individual grants to the named executive officers.

During FY10, our named executive officers participated in three types of equity awards:

Annual Equity Award Program

In April 2010, in connection with the authorization of the company-wide annual equity award program for FY10, the Compensation Committee determined the equity awards for FY10 for Mr. Reidy, Mr. Conway and Mr. Benson. As Mr. Robertson had previously informed us of his intention to retire by the end of FY10, Mr. Robertson did not receive an annual equity award for FY10. As recent hires, Mr. Larsen and Mr. Levy were not eligible to participate in our FY10 annual equity program. Mr. Wagner did not join our company until November 2010 and did not participate in our FY10 annual equity program. Our FY10 company-wide annual equity award program consisted of stock options and RSUs, and substantially all of the equity awards under the annual equity program were issued to the participating named executive officers and other recipient employees in one installment in April 2010.

Special Equity Awards

In January 2010, upon the recommendation of Mr. Reidy, our Compensation Committee authorized special equity awards to Mr. Larsen and Mr. Conway. These equity awards consisted of 60% stock options and 40% RSUs and were designed to provide additional incentives to the continued success of our long-term goals and overall retention. The stock options vest in monthly increments over a five-year period. The RSUs vest in six equal installments over three years beginning six months after issuance.

New Hire Awards

During 2010, Mr. Wagner and Mr. Levy each received stock options and RSUs as a new hire award and Mr. Larsen and Mr. Benson each received stock options as the second half of their new hire equity awards, the first half of which had been issued in FY09. These awards were issued under the terms of their respective employment letters. The stock options vest in monthly increments over a five-year period beginning six months after date of hire. The RSUs vest in six equal installments over three years beginning six months after issuance.

For FY10, the Compensation Committee authorized grants of stock options and RSUs to the named executive officers as shown in the table below, with the shares adjusted to reflect the 3-for-2 stock split completed on January 31, 2011:

Named Executive Officer	FY10 Annual Equity Award Program		Special Equity Awards		New Hire Award		Total Awards	
	Options	RSUs	Options	RSUs	Options	RSUs	Options	RSUs
Mr. Reidy	315,000	84,000					315,000	84,000
Mr. Wagner					180,000	48,000	180,000	48,000
Mr. Robertson								
Mr. Larsen			90,000	24,000	52,500		142,500	24,000
Mr. Conway	9,000	2,400	45,000	12,000			54,000	14,400
Mr. Benson	45,000	12,000			22,500		67,500	12,000
Mr. Levy					180,000	48,000	180,000	48,000

For FY11, the Compensation Committee has adopted a two-tiered approach to the annual equity award program. For all employees below the Vice President level, the annual equity awards will continue to consist of stock options and RSUs, but at a mix of 50% stock options and 50% RSUs.

For Mr. Reidy and Vice President, including the other named executive officers, the annual equity awards will consist of stock options, RSUs and performance share units, at a mix of 50% stock options, 35% RSUs and 15% performance share units. The performance share units will be subject to performance criteria aligned with our business plan, will be earned only to the extent the performance criteria are achieved and any performance share units earned will be subject to subsequent time-based vesting (one-third after one year upon determination of achievement of the performance metrics established for the year and one-third in each of the next two years if the executive remains employed on the vest date).

Severance and Change in Control Benefits

We have entered into a severance agreement with Mr. Reidy providing him with certain payments and benefits upon an involuntary termination of Mr. Reidy's employment with our company in those circumstances in which Mr. Reidy's Employee Retention and Motivation Agreement is not otherwise applicable. Mr. Reidy's severance agreement is described below. See EXECUTIVE COMPENSATION Severance and Change in Control Agreements.

In FY10, we entered into agreements with Mr. Robertson and Mr. Levy providing for severance and other transition benefits in connection with their termination of employment with our company. See EXECUTIVE COMPENSATION Severance and Change in Control Agreements.

In December 2009, we adopted company-wide severance guidelines in connection with the undertaking of a large reduction in force. These guidelines provide for severance and other benefits to be paid to employees who are involuntarily terminated from our employment, with the precise amount of severance determined based on position and seniority. Former members of our executive management team have received severance and other benefits in accordance with these guidelines, which were approved by the Compensation Committee.

Currently, the severance guidelines applicable to our executive management team (other than Mr. Reidy) provide upon involuntary termination for the payment of severance of twelve months of total target cash compensation as of the date of termination, the continuation, for a period of twelve months, of benefits that are substantially equivalent to the benefits (medical, dental, vision and life insurance) that were in effect immediately prior to termination, and twelve months of acceleration of unvested stock options and RSUs. Receipt of this severance payment and benefits is subject to the execution of our standard form of separation and release agreement, which includes a non-competition clause. Although subject to change in the sole discretion of the Compensation Committee, we expect that these severance guidelines will continue to apply to involuntary terminations of executive officers, including the named executive officers (other than Mr. Reidy), in the future.

We have also entered into an Employee Retention and Motivation Agreement with each of the named executive officers, including Mr. Reidy. Each agreement provides for certain payments and benefits upon a change of control of our company and/or certain involuntary terminations of employment thereafter. Our Board of Directors determined that it is in the best interests of our company and its shareholders to assure that we will have the continued dedication and objectivity of our key employees, despite the possibility, threat or occurrence of a change of control of the company. These agreements are described below. See EXECUTIVE COMPENSATION Severance and Change in Control Agreements.

401(k) Plan

We currently provide a non-elective contribution under our 401(k) plan. All employees who participated in our 401(k) plan, including named executive officers, received a discretionary matching contribution for fiscal year 2010 representing 6.1% of such employee's calendar year compensation, including base salary, commissions and bonus, depending upon the employee's length of service with the company and the employee's contribution level. This contribution was approved by the Compensation Committee. In addition, due to limitations imposed

on 401(k) matching to higher-paid individuals under federal tax law, a portion of the contributions that otherwise would have been received by certain employees, including the named executive officers, were instead paid directly to them in cash.

Other Benefits

We believe that establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. The named executive officers are eligible to participate in all of our health and insurance plans, in each case on the same basis as other employees. In addition, our stock purchase plan is available to all employees other than employees, if any, who hold 5% or more of our common stock.

Tax and Accounting Implications

Deductibility of Executive Compensation. Section 162(m) of the Internal Revenue Code places a limit of \$1 million on the amount of compensation that public companies may deduct in any one year with respect to certain of their named executive officers. Certain performance-based compensation approved by shareholders is not subject to this deduction limit. The Compensation Committee's strategy in this regard is to be cost and tax effective. Therefore, the Compensation Committee intends to preserve corporate tax deductions, while maintaining the flexibility in the future to approve arrangements that it deems to be in our best interests and the best interests of our shareholders, even if such arrangements do not always qualify for full tax deductibility.

Section 409A of the Internal Revenue Code. Section 409A of the Internal Revenue Code imposes additional significant taxes in the event that an executive officer, director or service provider receives deferred compensation that does not satisfy the requirements of Section 409A. Section 409A applies to our severance and change in control arrangements. Our severance and change in control agreements described below, including the Employee Retention and Motivation Agreements we entered into with our named executive officers, contain provisions that are intended to either avoid the application of Section 409A or, to the extent doing so is not possible, comply with the applicable Section 409A requirements. The Compensation Committee has the sole discretion to change the severance guidelines applicable to executive officers to the extent necessary to avoid the application of Section 409A or comply with applicable Section 409A requirements.

Accounting for 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 or the Black-Scholes option valuation model.

COMPENSATION COMMITTEE REPORT

This report is submitted by the Compensation Committee of our Board of Directors. The Compensation Committee has reviewed the Compensation Discussion and Analysis included in this proxy statement and discussed it with management. Based on that review and discussions, the Compensation Committee has recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

No portion of this Compensation Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that the company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.

Respectfully submitted by the Compensation Committee,

David A. Krall, Chairman

Ram Gupta

Michael L. Mark

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee of our Board of Directors during fiscal year 2010 were Messrs. Krall, Gupta and Mark. None of these directors is or has ever been an officer or employee of our company or of any of its subsidiaries, or had any relationship with us requiring disclosure in this proxy statement. There are no compensation committee interlocks amongst any of our directors.

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ANALYSIS OF RISK ASSOCIATED WITH OUR COMPENSATION PLANS

In setting compensation, the Compensation Committee considers the risks to our shareholders and to the achievement of our goals that may be inherent in the compensation plans and programs for all employees, including our executives. When evaluating our executive compensation program, the Compensation Committee considers whether the program is based on the appropriate philosophy, benchmarked against the appropriate peer group and balanced between long and short-term performance targets, company and individual performance. Although a significant portion of our executives' compensation is performance-based and at-risk, we believe our compensation plans and programs are appropriately structured so as not to encourage our employees to take excessive or unreasonable risks.

We considered the following elements of our compensation plans and policies when evaluating whether such plans and policies are structured to encourage our employees to take unreasonable risks:

Compensation consists of both fixed and variable components. The fixed portion (i.e., base salary) and variable portion (i.e., performance-based incentive and equity awards) provide a mix of compensation intended to produce corporate performance without encouraging excessive risks.

All short-term incentive plans and commission plans are cash-based plans, which results in less total compensation being paid as a result of stock performance.

We set performance goals that we believe are reasonable in light of past performance and market conditions.

We use consistent corporate performance metrics from year-to-year rather than changing the metric to take advantage of changing market conditions.

Our short-term incentive plans are capped as to the maximum potential payout, which we believe mitigates excessive risk taking by limiting bonus payments even if we dramatically exceed the performance targets.

We use a combination of stock options and restricted stock units (RSUs) for equity awards because restricted stock units retain value even in a depressed market which makes our executives less likely to take unreasonable risks to get, or keep, options in-the-money.

The time-based vesting for RSUs and stock options ensures that our executives' interests align with those of our shareholders for the long-term performance of our company.

Assuming achievement of at least a minimum level of performance, payouts under our performance-based plans result in some compensation at levels below full target achievement, rather than an all-or-nothing approach.

In accordance with our written stock option grant policy, all stock option grants must occur at a meeting of the Compensation Committee and management has no authority to issue equity.

The Compensation Committee retains and does not delegate any of its exclusive power to determine matters of executive compensation and benefits.

We maintain effective controls and procedures to ensure that amounts are earned and paid in accordance with our plans and programs.

In accordance with our written stock option grant policy, we have appointed an Options Executive who is responsible for ensuring that we comply with applicable laws, regulations and accounting standards related to the granting of equity-based compensation, and that our policies, procedures and equity compensation plans are

followed and our Options Executive reports quarterly to the Compensation Committee.

We do not allow our executives to hedge their exposure to ownership of, or interest in, our stock. We also do not allow them to engage in speculative transactions with respect to our stock.

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EXECUTIVE COMPENSATION

Summary of Executive Compensation

The following table sets forth certain information with respect to compensation for the fiscal years ended November 30, 2010, 2009 and 2008, earned by Mr. Reidy, our Chief Executive Officer, Mr. Wagner, who became our Chief Financial Officer in November 2010, Mr. Robertson, who was our Chief Financial Officer until November 2010, and Mr. Larsen, Mr. Conway and Mr. Benson, our three most highly compensated executive officers. As required by SEC rules, we also disclose the compensation paid for the fiscal year ended November 30, 2010 to Robert Levy, our former Executive Vice President, Chief Product Officer, who ceased to be an executive officer on October 31, 2010 and terminated employment on December 30, 2010, because Mr. Levy would have been among our three other most highly compensated executive officers during fiscal 2010 but for the fact that he ceased to be an executive officer prior to November 30, 2010. We refer to these individuals collectively as our named executive officers.

As described above in Compensation Discussion and Analysis and reflected in the Summary Compensation Table below, we pay our named executive officers a mix of cash and equity compensation.

Cash Compensation. We pay our named executive officers a base salary and cash incentive compensation under a non-equity incentive plan.

Equity Compensation. We make annual equity awards to the named executive officers consisting of stock options and restricted stock units (RSUs). Stock options had an exercise price equal to the closing price of our stock on the date of grant and vest in monthly increments over five years. The amounts shown in the Option Awards column reflect the grant date fair value. RSUs convert to shares of our common stock upon vesting. These RSUs vest in six equal installments over three years beginning six months after issuance. The amounts shown in the Stock Awards column reflect the grant date fair value with respect to the RSUs.

Other Forms of Compensation. We do not provide our named executive officers with pensions or the ability to defer compensation. Amounts shown in the All Other Compensation column reflect the contribution under our 401(k) Plan and certain other items described in the footnotes below.

SUMMARY COMPENSATION TABLE FISCAL YEARS 2008, 2009 AND 2010

Name and Principal Position	Year	Salary	Stock Awards (1)	Option Awards (2)	Non-Equity	All	Total
					Incentive Plan Compensation (3)	Other Compensation (4)	
Richard D. Reidy							
Chief Executive Officer (5)	2010	\$486,539	\$1,790,880	\$1,854,552	\$512,962	\$41,203	\$4,686,136
	2009	351,461	1,650,750	1,158,675	167,400	31,189	3,359,475
	2008	304,565	0	803,157	149,560	29,199	1,286,481
Charles F. Wagner							
Executive Vice President, Finance and Administration and Chief Financial Officer (6)	2010	46,154	1,248,960	1,215,936	13,012	112	2,524,174
Norman R. Robertson							
Former Chief Financial Officer (7)	2010	320,000	0	0	263,750	27,260	611,010
	2009	332,309	176,080	198,630	155,000	24,203	886,222
	2008	305,821	0	452,463	149,077	28,873	936,234
Christopher Larsen							
Executive Vice President, Global Field Operations (8)	2010	350,000	467,360	794,750	258,919	17,601	1,888,630
	2009	100,962	286,800	232,278	7,869	60,245	688,154
Gary G. Conway							
Executive Vice President, Chief Marketing Officer (9)	2010	359,135	284,848	295,816	167,803	15,073	1,122,675
	2009	363,462	119,500	285,020	93,000	67,215	928,197
	2008	44,423	0	0	8,544	1,772	54,739
David A. Benson							
Executive Vice President, Chief Information Officer (10)	2010	309,135	255,840	386,351	165,892	751	1,117,969
	2009	173,077	171,520	99,659	52,500	65,649	562,405
Robert Levy							
Former Executive Vice President, Chief Product Officer (11)	2010	344,712	1,023,360	916,824	0	838	2,285,734

- (1) Represents the grant date fair value of the award, which is equal to the number of RSUs granted multiplied by the closing price of our stock on the grant date. See the Grants of Plan-Based Awards Table for a breakdown of these awards.
- (2) Represents the grant date fair value of options on the date of grant. The grant date fair value of our options is equal to the number of shares subject to the option multiplied by the fair value of our options on the date of grant determined by using the Black-Scholes option valuation model. The methodology and assumptions used to

calculate the Black-Scholes value of our options are described in Note 8 of the consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended November 30, 2010. See the Grants of Plan-Based Awards Table for a breakdown of these awards.

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(3) Except for Mr. Larsen, amounts listed reflect the amounts earned under our Corporate Incentive Compensation Plan as described in Compensation Discussion and Analysis in this proxy statement. For Mr. Larsen, the amount listed reflects the amount earned under his individual sales incentive plan, including that portion attributable to our Corporate Incentive Compensation Plan, as described in Compensation Discussion and Analysis in this proxy statement. For all individuals, bonus payments were accrued in the year indicated and paid in the succeeding fiscal year. Thus, the 2010 bonus amounts were paid in fiscal year 2011, the 2009 bonus amounts were paid in fiscal year 2010 and the 2008 bonus amounts were paid in fiscal year 2009.

(4) Amounts listed in this column for 2010 include:

Name	Cash Payment for portion of match in		
	Company Contributions (401(k))	excess of Insurance participation	limits premiums
Reidy	\$ 14,994	\$ 25,027	\$ 1,182
Wagner			112
Robertson	14,994	11,488	778
Larsen	7,497	9,254	850
Conway	7,497	6,703	873
Benson			751
Levy			838

(5) Mr. Reidy was appointed our Chief Executive Officer on March 29, 2009. During fiscal year 2008, Mr. Reidy was our Chief Operating Officer, a position to which he was appointed in September 2008.

(6) Mr. Wagner became our Chief Financial Officer on November 15, 2010. The amounts shown for Mr. Wagner are base salary and non-equity incentive plan compensation for the period of November 15, 2010 until November 30, 2010. The amounts shown for stock and option awards are the new hire equity award granted on his start date.

(7) Mr. Robertson retired as Chief Financial Officer on November 15, 2010 upon Mr. Wagner's joining us as Chief Financial Officer.

(8) Mr. Larsen joined us in September 2009 as Senior Vice President, Global Field Operations, and became an Executive Vice President in April 2010. The 2009 amounts shown for Mr. Larsen are base salary and non-equity incentive plan compensation for the period of September 1, 2009 until November 30, 2009. The 2009 amounts shown for stock and option awards are the new hire equity award granted on October 15, 2009.

(9) Mr. Conway joined us in October 2008 as Senior Vice President, Chief Marketing Officer, and became an Executive Vice President in April 2010. The 2008 amounts shown for Mr. Conway are base salary and non-equity incentive plan compensation for the period of October 29, 2008 until November 30, 2008.

(10) Mr. Benson joined us in June 2009 as Senior Vice President, Chief Information Officer, and became an Executive Vice President in April 2010. The 2009 amounts shown for Mr. Benson are base salary and non-equity incentive plan compensation for the period of June 1, 2009 until November 30, 2009. The amounts

shown for stock and option awards are the new hire equity award granted on July 15, 2009.

- (11) Mr. Levy joined us in February 2010 as Senior Vice President, Chief Product Officer, and became an Executive Vice President in April 2010. The amount shown for Mr. Levy is base salary for the period of

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February 1, 2010 until November 30, 2010. The amounts shown for stock and option awards are the new hire equity award granted on February 16, 2010 and April 27, 2010. In October 2010, in connection with our announcement that Mr. Levy would be leaving our company, Mr. Levy was relieved of his responsibilities as Chief Product Officer and ceased to be an executive officer.

Grants of Plan-Based Awards

The following table sets forth certain information with respect to grants of plan-based awards for the fiscal year ended November 30, 2010 to the named executive officers. The share amounts, fair value and exercise prices set forth in the table have been adjusted to reflect the 3-for-2 stock split completed on January 31, 2011.

GRANTS OF PLAN-BASED AWARDS TABLE FISCAL YEAR 2010

Name	Grant Date	Threshold (\$)(1)	Target (\$)(1)	Maximum (\$)(1)	All Other		Exercise Price of Option Award (\$ Per Share) (4)	Grant Date of Stock and Option Awards (5) (6)
					Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Stock Awards: Number of Securities Underlying Options (#)(3)		
Richard D. Reidy	N/A 4/27/2010	0	500,000	750,000	84,000	315,000	21.32	3,645,432
Charles F. Wagner	N/A 11/15/2010	0	250,000	375,000	48,000	180,000	26.02	2,464,896
Norman R. Robertson (7)	N/A	0	250,000	375,000				
Christopher Larsen	N/A 1/15/2010 4/27/2010	0	300,000	450,000	24,000	90,000 52,500	19.47 21.32	953,018 309,092
Gary G. Conway	N/A 1/15/2010 4/27/2010	0	162,500	245,250	12,000 2,400	45,000 9,000	19.47 21.32	476,509 104,155
David A. Benson	N/A 1/15/2010 4/27/2010	0	160,000	240,000		22,500 45,000	19.47 21.32	377,255 264,936

Robert Levy	N/A	0	275,000	375,000			
	2/16/2010				180,000	18.57	916,824
	4/27/2010				48,000		1,023,360

(1) These columns indicate the range of payouts targeted for fiscal year 2010 performance under our Corporate Incentive Compensation Plan as described in COMPENSATION DISCUSSION AND ANALYSIS earlier in this proxy statement. The actual payout with respect to fiscal year 2010 for each named executive officer is shown in the Summary Compensation Table in the column titled Non-Equity Incentive Plan Compensation.

- (2) Represents RSUs granted pursuant to our 2008 Stock Option and Incentive Plan. These units vest, so long as the executive continues to be employed with us, in six equal installments beginning six months after date of issuance. In all cases, dividends are not payable on unvested RSUs.
- (3) Represents options granted pursuant to our 2008 Stock Option and Incentive Plan. These options become exercisable, so long as the executive continues to be employed with us, in equal monthly installments over five years.
- (4) The exercise price per share is equal to the closing price per share of our common stock on the date of grant.
- (5) The grant date fair value of our options is equal to the number of shares subject to the option multiplied by the fair value of our options on the date of grant determined by using the Black-Scholes option valuation model. The Black-Scholes value of our options on January 15, 2010, February 16, 2010, April 27, 2010 and November 15, 2010 was \$5.40, \$5.09, \$5.89 and \$6.76, respectively. The methodology and assumptions used to calculate the Black-Scholes value of our options are described in Note 8 of the consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended November 30, 2010.
- (6) Represents the grant date fair value of the award, which is equal to the number of RSUs granted multiplied by the closing price of our stock on the grant date.
- (7) In April 2010, we announced that Mr. Robertson would be retiring as our Chief Financial Officer before the end of 2010. As a result, no equity awards were issued to Mr. Robertson relating to the 2010 fiscal year.

The terms of the stock options and RSUs granted in calendar year 2010 to our named executive officers were consistent with the vesting schedules and expiration dates of the options and RSUs granted to employees during the year. Stock options to acquire a total of 2,508,000 shares of our common stock and 665,000 RSUs were granted to our employees and non-employee directors in fiscal year 2010. These share amounts have been adjusted to reflect the 3-for-2 stock split completed on January 31, 2011.

Outstanding Equity Awards

The following table sets forth certain information with respect to the outstanding equity awards at November 30, 2010 for each of the named executive officers. The share amounts, market value and exercise prices set forth in the table have been adjusted to reflect the 3-for-2 stock split completed on January 31, 2011.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Stock Options			Stock Awards		
	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(19)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(20)
	Exercisable	Unexercisable				
Richard D. Reidy	75,000	0	\$ 14.57	11/10/2013		
	43,500	0	\$ 20.54	11/14/2012		
	16,500	0	\$ 20.54	11/14/2012		
	28,500	1,500	\$ 15.38	05/21/2013	(1)	
	28,500	1,500	\$ 16.67	09/19/2013	(2)	
	17,500	0	\$ 9.54	04/02/2011		
	17,500	0	\$ 11.62	10/09/2011		
	75,480	0	\$ 8.83	08/01/2012		
	57,720	0	\$ 9.00	08/01/2012		
	9,520	0	\$ 8.83	08/01/2012		
	7,279	0	\$ 9.00	08/01/2012		
	27,499	0	\$ 10.05	02/23/2013		
	47,500	0	\$ 11.33	12/23/2013		
	8,749	0	\$ 12.10	05/23/2014		
	43,750	0	\$ 12.50	05/23/2014		
	8,751	0	\$ 12.83	09/26/2014		
	43,749	0	\$ 14.30	09/26/2014		
	11,250	3,750	\$ 20.79	04/25/2014	(3)	
	5,625	1,875	\$ 20.79	04/25/2014	(3)	
	16,875	5,625	\$ 21.50	10/15/2014	(4)	
	24,750	20,250	\$ 19.96	04/23/2015	(5)	
	74,250	60,750	\$ 13.01	10/15/2015	(6)	
	45,833	85,117	\$ 14.67	05/11/2016	(7)	
	105	195	\$ 14.67	5/11/2016	(7)	
	45,938	85,312	\$ 15.93	10/15/2016	(8)	
	2,251	12,749	\$ 21.32	4/26/2017	(9)	
	44,999	255,001	\$ 21.32	4/26/2017	(9)	
						126,250 \$3,242,100
Charles F. Wagner						

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0	180,000	\$26.02	11/14/2017	(10)	48,000	\$1,232,640
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Name	Stock Options		Option Exercise Price	Option Expiration Date		Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Unexercisable				Number of Shares or Units of Stock That Have Not Vested (#)(19)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(20)
Norman R. Robertson	36,000	0	\$20.54	11/14/2012			
	24,000	0	\$20.54	11/14/2012			
	1	1,875	\$15.38	05/21/2013	(1)		
	35,625	1,875	\$16.67	09/19/2013	(2)		
	22,500	7,500	\$20.79	04/25/2014	(3)		
	22,500	7,500	\$21.50	10/15/2014	(4)		
	24,750	20,250	\$19.96	04/23/2015	(5)		
	0	20,250	\$13.01	10/15/2015	(6)		
	1	14,332	\$14.67	05/11/2016	(7)		
	1	292	\$14.67	05/11/2016	(7)		
	0	14,625	\$15.93	10/15/2016	(8)		
						6,000	\$ 154,080
Christopher Larsen	4,444	25,556	\$15.93	10/15/2016	(11)		
	3,333	19,167	\$15.93	10/15/2016	(11)		
	827	3,673	\$19.47	01/14/2017	(12)		
	15,677	69,823	\$19.47	01/14/2017	(12)		
	7,778	44,722	\$21.32	4/26/2017	(13)		
						32,000	\$ 821,760
Gary G. Conway	2,778	24,306	\$11.37	1/14/2016	(14)		
	2,756	24,111	\$14.29	7/15/2016	(15)		
	106	194	\$14.29	7/15/2016	(15)		
	8,252	36,748	\$19.47	1/14/2017	(12)		
	1,350	7,650	\$21.32	4/26/2017	(9)		
						17,000	\$ 436,560
David A. Benson	4,583	17,917	\$14.29	7/15/2016	(16)		
	1,222	4,778	\$19.47	1/14/2017	(17)		
	3,361	13,139	\$19.47	1/14/2017	(17)		

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6,750	38,250	\$21.32	4/26/2017	(9)	18,000	\$ 462,240
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Robert Levy

1,778	22,222	\$18.57	2/15/2017	(18)		
11,556	144,444	\$18.57	2/15/2017	(18)	40,000	\$1,027,200

(1) This option vests 3/60ths on the date of grant, with the remainder vesting in 57 monthly increments commencing on June 1, 2006.

(2) This option vests 7/60ths on the date of grant, with the remainder vesting in 53 monthly increments commencing on October 1, 2006.

- (3) This option vests 2/60ths on the date of grant, with the remainder vesting in 58 monthly increments commencing on May 1, 2007.
- (4) This option vests 8/60ths on the date of grant, with the remainder vesting in 52 monthly increments commencing on November 1, 2007.
- (5) This option vests 2/60ths on the date of grant, with the remainder vesting in 58 monthly increments commencing on May 1, 2008.
- (6) This option vests 8/60ths on the date of grant, with the remainder vesting in 52 monthly increments commencing on November 1, 2008.
- (7) This option vests 3/60ths on the date of grant, with the remainder vesting in 57 monthly increments commencing on June 1, 2009.
- (8) This option vests 8/60ths on the date of grant, with the remainder vesting in 52 monthly increments commencing on November 1, 2009.
- (9) This option vests 2/60ths on the date of grant, with the remainder vesting in 58 monthly increments commencing on May 1, 2010.
- (10) This option vests in 54 monthly installments commencing on June 1, 2011.
- (11) This option vests in 54 monthly installments commencing on April 1, 2010.
- (12) This option vests 1/60th on the date of grant, with the remainder vesting in 59 monthly increments commencing on February 1, 2010.
- (13) This option vests 1/54th on the date of grant, with the remainder vesting in 53 monthly increments commencing on May 1, 2010.
- (14) This option vests in 54 monthly installments commencing on May 1, 2009.
- (15) This option vests 3/54ths on the date of grant, with the remaining vesting in 51 monthly increments commencing on August 1, 2009.
- (16) This option vests in 54 monthly installments commencing on January 1, 2010.
- (17) This option vests 1/54th on the date of grant, with the remainder vesting in 53 monthly increments commencing on February 1, 2010.
- (18) This option vests in 54 monthly installments commencing on August 1, 2010. On December 30, 2010, we entered into a separation and release agreement with Mr. Levy setting forth the terms of his termination of employment, including that all of Mr. Levy's unvested options terminated as of the date of termination of his employment. See "Severance and Change in Control Agreements" for a description of Mr. Levy's separation agreement.
- (19) The unvested shares shown in this column are RSU awards that are subject to time-based vesting.

(20) The market value of unvested RSUs was calculated as of November 30, 2010 based on the stock split adjusted closing price of our common stock on NASDAQ of \$25.68.

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Option Exercises and Stock Vested

The following table sets forth certain information regarding the number of stock options exercised and RSUs that vested in the fiscal year ended November 30, 2010 under our equity incentive plans and the corresponding amounts realized by the named executive officers. The share amounts, market value and exercise prices set forth in the table have been adjusted to reflect the 3-for-2 stock split completed on January 31, 2011.

Option Exercises and Stock Vested Fiscal Year 2010

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized	Number of Shares	Value Realized
	Acquired on Exercise	on Exercise	Acquired on Vesting	on Vesting
	(#)	(\$)	(#)	(\$)
Richard D. Reidy	91,050	924,420	51,499	1,112,151
Charles F. Wagner			0	0
Norman R. Robertson	406,123	3,338,675	3,998	85,770
Christopher Larsen			9,999	216,605
Gary G. Conway	20,749	149,414	4,896	106,290
David A. Benson			5,997	129,702
Robert Levy			7,999	175,191

Severance and Change in Control Agreements

We have agreements with, or guidelines applicable to, our executive officers that provide the benefits described below in connection with certain terminations or a change in control of our company.

Mr. Reidy's Severance Agreement

On October 13, 2009, we entered into a severance agreement with Mr. Reidy providing him with certain payments and benefits upon an involuntary termination of Mr. Reidy's employment with our company in those circumstances in which Mr. Reidy's Amended Employee Retention and Motivation Agreement (Amended ERMA) is not otherwise applicable. Mr. Reidy's Amended ERMA provides for various payments and benefits upon a change in control of our company and upon an involuntary termination of Mr. Reidy's employment within twelve months after a change in control. In the event an involuntary termination occurs in circumstances in which the Amended ERMA is applicable, all severance and other benefits to be paid to Mr. Reidy will be governed by the Amended ERMA and not the severance agreement.

The severance agreement provides that upon the involuntary termination of Mr. Reidy's employment and the execution by Mr. Reidy of a standard release of claims, Mr. Reidy will be entitled to receive twenty-four months of his total target compensation, which will be paid out monthly over a twenty-four month period. Mr. Reidy's benefits in effect as of the date of the involuntary termination (such as medical, dental, vision and life insurance) will also continue for twenty-four months. In addition, any unvested options and restricted equity held by Mr. Reidy as of the date of the involuntary termination that would have vested during the two-year period following that date if Mr. Reidy had remained employed by our company, will automatically vest.

An involuntary termination is defined as: (1) the assignment to the executive of any duties or the significant reduction of his duties, either of which is materially inconsistent with his position and responsibilities in effect immediately prior to such assignment, or the removal of the executive from such position and

responsibilities, which is not effected for disability or for cause (as defined in the agreement); (2) a material reduction in the base salary and/or bonus of the executive as in effect immediately prior to such reduction; (3) the relocation of the executive to a facility or a location more than 50 miles from the executive's then present location; (4) any purported termination of the executive by us which is not effected for death or disability or for cause, or any purported termination for cause for which the grounds relied upon are not valid; or (5) a material breach of the severance agreement by us.

The severance agreement also includes non-competition, non-disparagement and related covenants. The non-competition covenant will be in effect for two years following the termination of Mr. Reidy's employment.

Mr. Reidy's Amended ERMA

On October 13, 2009, we and Mr. Reidy also entered into the Amended ERMA. Under the Amended ERMA, Mr. Reidy is entitled to various payments and benefits upon a change in control of our company and upon an involuntary termination of Mr. Reidy's employment by us within twelve months after the change in control.

The Amended ERMA provides that upon a change in control, Mr. Reidy's annual cash bonus award will be fixed and guaranteed at his target level, and payment of that bonus will be made on a pro-rata basis with respect to the elapsed part of the relevant fiscal year. In addition, upon a change in control, all of Mr. Reidy's outstanding unvested options and restricted equity will fully accelerate, unless the acquirer assumes all options and restricted equity.

Upon involuntary termination of Mr. Reidy's employment within twelve months following a change in control, all of Mr. Reidy's remaining outstanding options and restricted equity will automatically vest, Mr. Reidy will be entitled to receive a lump sum payment equal to fifteen months of his total target compensation, and Mr. Reidy's benefits in effect as of the date of the involuntary termination (such as medical, dental, vision and life insurance) will continue for fifteen months.

For purposes of the Amended ERMA, a change of control is defined as the occurrence of any one of the following events: (1) any person becoming the beneficial owner (as defined in the Exchange Act) of 50% or more of the total voting power of our outstanding stock; (2) certain changes in a majority of our Board of Directors; (3) certain mergers or consolidations of our company with another entity; or (4) the sale of all or substantially all of our assets. The definition of involuntary termination is identical to the corresponding definition in Mr. Reidy's severance agreement.

In the event that any amounts provided for under the Amended ERMA or otherwise payable to Mr. Reidy would constitute parachute payments within the meaning of Section 280G of the Internal Revenue Code and be subject to the related excise tax, Mr. Reidy would be entitled to receive either full payment of the benefits under the ERMA or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greatest amount of after-tax benefits to Mr. Reidy.

Mr. Wagner's Employment Letter

On October 15, 2010, we and Mr. Wagner entered into an employment letter setting forth Mr. Wagner's compensation and certain other employment terms upon the commencement of his employment on November 15, 2010. Mr. Wagner's employment letter provides, among other terms, that in the event that his employment is terminated by us other than for cause, he will be eligible to receive severance pursuant to any severance plan then applicable to members of our Executive Committee as a result of an involuntary termination of employment, with such severance pay and benefits being at least equal to the following: (a) the payment of severance of twelve months of total target cash compensation as of the date of termination, (b) the continuation, for a period of twelve months, of benefits that are substantially equivalent to the benefits (medical, dental, vision and life insurance) that were in effect immediately prior to termination, and (c) twelve months of acceleration of unvested stock options and RSUs.

For purposes of his employment letter, cause means conduct involving any of the following: (1) substantial and continuing violations by Mr. Wagner of his obligations as an employee after there has been delivered to him a written demand for performance which describes the basis for the belief that he has not substantially performed his duties, (2) Mr. Wagner's material violation of our employment policies, (3) Mr. Wagner's material breach of any agreement between him and our company, or (4) Mr. Wagner's disloyalty, gross negligence, willful misconduct, dishonesty, fraud or breach of fiduciary duty to us.

Receipt of severance and benefits is subject to the execution of our standard form of separation and release agreement, which includes a non-competition clause.

Mr. Robertson's Separation Arrangements

Upon the commencement of Mr. Wagner's employment on November 15, 2010, Mr. Robertson assumed the position of Senior Advisor, Finance and Administration. On November 12, 2010, we entered into a letter agreement with Mr. Robertson providing the terms of his severance arrangements in connection with the termination of his employment. Under the letter agreement, Mr. Robertson is entitled to receive eighteen months of his total target compensation, which will be paid out monthly over an eighteen month period. Mr. Robertson's benefits in effect as of the date of the termination (such as medical, dental, vision and life insurance) will also continue for eighteen months. In addition, any unvested options and restricted equity held by Mr. Robertson as of the date of termination that would have vested during the one-year period following that date if Mr. Robertson had remained employed by us, will automatically vest. Lastly, we extended the period of time following the termination of Mr. Robertson's employment during which he may exercise vested stock options until December 9, 2011.

Receipt of these severance payments and benefits is subject to the execution of our standard form of separation and release agreement, which includes a non-competition clause.

Mr. Levy's Employment and Separation Agreements

Mr. Levy became our Chief Product Officer in February 2010. The terms of Mr. Levy's compensation were determined by the employment offer letter we entered into with him in January 2010. Mr. Levy's employment letter provided, among other things, that if, prior to the first anniversary of his start date, his employment was terminated by us without cause, we agreed to pay him as severance nine months of his total target cash compensation, which was \$487,500. This severance was to be paid as salary continuation for such nine month period. In addition, for a period of twelve months after any such termination, we agreed to provide him with benefits that are substantially equivalent to the benefits (medical, dental, vision and life insurance) that were in effect immediately prior to his termination.

For purposes of the preceding paragraph, cause means (1) any act of personal dishonesty on Mr. Levy's part in connection with his responsibilities as an employee and which is intended to result in substantial personal enrichment, (2) the conviction of a felony, (3) a willful act by Mr. Levy which constitutes gross misconduct and which is injurious to us, and (4) continued willful and deliberate violations by Mr. Levy of his obligations as an employee of our company.

On December 30, 2010, in connection with the termination of his employment with our company, we and Mr. Levy entered into a Separation and Release Agreement setting forth the terms of his severance arrangements. This Separation and Release Agreement superseded the severance terms of his employment letter described above. Under this separation and release agreement, we agreed to pay Mr. Levy aggregate cash severance of \$360,000, paid monthly until June 2011, and we agreed to continue his health benefits until December 31, 2011. We also agreed not to terminate 17,100 RSUs previously issued to him as part of his new hire equity award, with those restricted stock units vesting on June 1, 2011, subject to Mr. Levy's compliance with his separation and release agreement. All other unvested equity awards terminated on December 30, 2010.

Other Employee Retention and Motivation Agreements

In addition to the agreement with Mr. Reidy, we have entered into an Employee Retention and Motivation Agreement, or ERMA, with each of the other named executive officers. Each agreement provides for certain payments and benefits upon a change of control (as defined in the agreement) of our company and/or upon an involuntary termination (as defined in the agreement) of the executive officer's employment by the company within twelve months of a change of control.

Under these agreements, upon a change of control, each executive officer's annual cash bonus award will be fixed and guaranteed at his respective target level. Payment of this bonus will immediately occur on a pro-rata basis with respect to the elapsed part of the relevant fiscal year. In addition, upon a change of control, all outstanding unvested options and restricted equity of the executive officer will fully accelerate, unless the acquirer assumes all such options and restricted equity. Upon involuntary termination of the executive officer within 12 months following a change of control, all remaining outstanding options and restricted equity of the executive officer will automatically become vested, the executive officer will be entitled to receive a lump sum payment equal to 15 months of his total target compensation, and his benefits will continue for 15 months.

For purposes of these agreements, a change of control is defined as the occurrence of any one of the following events: (1) any person becoming the beneficial owner (as defined in the Exchange Act) of 50% or more of the total voting power of our outstanding stock; (2) certain changes in a majority of our Board of Directors; (3) certain mergers or consolidations of our company with another entity; (4) the liquidation of our company; or (5) the sale of all or substantially all of our assets.

An involuntary termination is defined as: (1) the assignment to the executive of any duties or the significant reduction of his duties, either of which is materially inconsistent with his position and responsibilities in effect immediately prior to such assignment, or the removal of the executive from such position and responsibilities, which is not effected for disability or for cause (as defined in the agreement); (2) a material reduction in the base salary and/or bonus of the executive as in effect immediately prior to such reduction; (3) a material reduction in the kind or level of employee benefits to which the executive is entitled immediately prior to such reduction with the result that the executive's overall benefit package is significantly reduced; (4) the relocation of the executive to a facility or a location more than 50 miles from the executive's then present location; (5) any purported termination of the executive by us which is not effected for death or disability or for cause, or any purported termination for cause for which the grounds relied upon are not valid; or (6) our failure to obtain, on or before a change of control, the assumption of the terms of the agreement by any successor.

Cause is defined as: (1) any act of personal dishonesty taken by the executive in connection with his responsibilities as an employee and intended to result in substantial personal enrichment of the executive; (2) the conviction of a felony; (3) a willful act by the executive which constitutes gross misconduct and which is injurious to our company; and (4) continued violations by the executive of his obligations as an employee of our company which are demonstrably willful and deliberate on his part after written demand for performance by us.

In the event that any amounts provided for under these agreements or otherwise payable to the executive officer would constitute parachute payments within the meaning of Section 280G of the Internal Revenue Code and be subject to the related excise tax, the executive would be entitled to receive either full payment of the benefits under the agreement or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greatest amount of after-tax benefits to the executive officer. The agreements do not require the company to provide any tax gross-up payments.

Non-Change of Control Severance Guidelines

In December 2009, we adopted company-wide severance guidelines in connection with the undertaking of a large reduction in force. These guidelines provide for severance and other benefits to be paid to employees who are involuntarily terminated from our employment, with the precise amount of severance determined based on position and seniority. Former members of our executive management team have received severance and other benefits in accordance with these guidelines, which were approved by the Compensation Committee.

Currently, the severance guidelines applicable to our executive management team (other than Mr. Reidy) provide upon involuntary termination for the payment of:

severance of twelve months of total target cash compensation as of the date of termination,

the continuation, for a period of twelve months, of benefits that are substantially equivalent to the benefits (medical, dental, vision and life insurance) that were in effect immediately prior to termination; and

twelve months of acceleration of unvested stock options and RSUs.

Receipt of this severance payment and benefits is subject to the execution of our standard form of separation and release agreement, which will include a non-competition clause. We expect that these severance guidelines will continue to apply to involuntary terminations of executive officers, including the named executive officers (other than Mr. Reidy), in the future in those circumstances in which the executive officer's ERMA is not otherwise applicable.

These severance guidelines may be adjusted in the future in the sole discretion of the Compensation Committee.

Estimate of Severance and Change in Control Benefits

The following tables indicate the estimated payments and benefits that:

Mr. Reidy would have received under his severance agreement and Amended ERMA assuming that the change of control of our company and/or termination of his employment occurred at November 30, 2010;

Mr. Wagner would have received under his employment letter and ERMA assuming that the change of control of our company and/or termination of his employment occurred at November 30, 2010;

Mr. Robertson would have received under his employment transition letter and ERMA assuming that the change of control of our company and/or termination of his employment occurred at November 30, 2010;

Mr. Larsen, Mr. Conway and Mr. Benson would have received under the severance guidelines described above and their respective ERMAs assuming that the change of control of our company and/or termination of his employment occurred at November 30, 2010; and

Mr. Levy would have received under his employment letter and ERMA assuming that the change of control of our company and/or termination of his employment occurred at November 30, 2010.

These amounts are estimates only and do not necessarily reflect the actual amounts that would be paid to the named executive officer, which would only be known at the time that he becomes entitled to such payment.

Richard D. Reidy

Payments and Benefits	Involuntary Termination (1)	Change of Control Only (2)	Involuntary Termination Within 12 Months Following Change of Control
Cash Severance	\$ 1,000,000	\$ 0	\$ 625,000
Pro Rata Bonus	1,000,000	500,000	625,000
Stock Options	2,506,228	0	3,903,631
Restricted Stock Units	2,882,580	0	3,242,100
Benefits (3)	26,729	0	15,935
Total	\$ 7,415,537	\$ 500,000	\$ 8,411,666

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Charles F. Wagner

	Involuntary Termination (1)	Change of Control Only (2)	Involuntary Termination Within 12 Months Following Change of Control
Payments and Benefits			
Cash Severance	\$ 400,000	\$ 0	\$ 500,000
Pro Rata Bonus	250,000	250,000	312,500
Stock Options	0	0	0
Restricted Stock Units	410,880	0	1,232,640
Benefits (3)	13,011	0	15,514
Total	\$ 1,073,891	\$ 250,000	\$ 2,060,654

Norman R. Robertson (4)

	Involuntary Termination (1)	Change of Control Only (2)	Involuntary Termination Within 12 Months Following Change of Control
Payments and Benefits			
Cash Severance	\$ 480,000	\$ 0	\$ 400,000
Pro Rata Bonus	375,000	250,000	312,500
Stock Options	365,831	0	780,221
Restricted Stock Units	103,865	0	154,080
Benefits (3)	13,654	0	13,654
Total	\$ 1,338,350	\$ 250,000	\$ 1,660,455

Christopher Larsen

	Involuntary Termination (1)	Change of Control Only (2)	Involuntary Termination Within 12 Months Following Change of Control
Payments and Benefits			
Cash Severance	\$ 350,000	\$ 0	\$ 437,500
Pro Rata Bonus	300,000	300,000	375,000
Stock Options	276,286	0	1,087,053
Restricted Stock Units	359,520	0	821,760
Benefits (3)	13,425	0	16,007
Total	\$ 1,299,231	\$ 300,000	\$ 2,737,320

Gary G. Conway

	Involuntary Termination (1)	Change of Control Only (2)	Involuntary Termination Within 12 Months Following Change of Control
Payments and Benefits			
Cash Severance	\$ 350,000	\$ 0	\$ 437,500
Pro Rata Bonus	162,500	162,500	203,125
Stock Options	277,874	0	886,089
Restricted Stock Units	187,464	0	436,560
Benefits (3)	13,425	0	16,007
Total	\$ 991,263	\$ 162,500	\$ 1,979,281

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David A. Benson

	Involuntary Termination (1)	Change of Control Only (2)	Involuntary Termination Within 12 Months Following Change of Control
Payments and Benefits			
Cash Severance	\$ 312,500	\$ 0	\$ 390,625
Pro Rata Bonus	160,000	160,000	200,000
Stock Options	127,213	0	481,990
Restricted Stock Units	205,440	0	462,240
Benefits (3)	8,546	0	10,189
Total	\$ 813,699	\$ 160,000	\$ 1,545,044

Robert Levy (5)

	Involuntary Termination (1)	Change of Control Only (2)	Involuntary Termination Within 12 Months Following Change of Control
Payments and Benefits			
Cash Severance	\$ 281,250	\$ 0	\$ 468,750
Pro Rata Bonus	206,250	275,000	343,750
Stock Options	0	0	1,184,440
Restricted Stock Units	0	0	439,128
Benefits (3)	13,837	0	13,837
Total	\$ 501,337	\$ 275,000	\$ 2,449,905

(1) The amounts shown in the first column, with respect to stock options and RSUs, represent the value of certain unvested options and restricted stock units becoming fully vested and are calculated using the stock split adjusted exercise price for each unvested option and the stock split adjusted closing stock price of our common stock on November 30, 2010, which was \$25.68.

- (2) In the event of a change of control, there is no accelerated vesting of options or RSUs provided that the acquirer assumes all existing, outstanding options and RSUs of the individual. These tables have been prepared under that assumption. However, if the acquirer does not assume all existing, outstanding options and RSUs of the individual, all unvested options and RSUs become fully vested and the value indicated in the third column would apply upon a change of control. The amounts shown in the third column are calculated using the exercise price for each unvested option and the closing stock price of our common stock on November 30, 2010, which was \$25.68.
- (3) Represents the estimated value (based on the cost as of November 30, 2010) of continuing benefits (medical, dental, vision and life insurance) for
- twenty four months in the case of an involuntary termination of Mr. Reidy's employment other than in connection with a change in control;
 - eighteen months in the case of the termination of Mr. Robertson's employment;
 - twelve months in the case of an involuntary termination of employment of Mr. Wagner, Mr. Larsen, Mr. Conway, Mr. Benson and Mr. Levy, other than in connection with a change in control; and
 - fifteen months, in the case of the third column.
- (4) As described above, we and Mr. Robertson have entered into an agreement providing for the terms of his severance. The terms of Mr. Robertson's severance agreement are reflected in the first column of the table above.
- (5) As described above, we and Mr. Levy have entered into a Separation and Release Agreement providing for his termination of employment on December 30, 2010. The terms of his Separation and Release Agreement are not reflected in the table above. The amounts shown in the first column with respect to Mr. Levy reflect the severance terms set forth in Mr. Levy's employment letter.

INFORMATION ABOUT PROGRESS SOFTWARE COMMON STOCK OWNERSHIP

The following table sets forth certain information regarding beneficial ownership of our common stock as of the record date:

by each person who is known by us to beneficially own more than 5% of the outstanding shares of our common stock;

by each director of our company;

by each of the named executive officers; and

by all directors and executive officers of our company as a group.

Name and Address of Beneficial Owner (1)	Beneficially Owned Shares	
	Number	Percent
T. Rowe Price Associates, Inc. (2) 100 East Pratt Street Baltimore, MD 21202	5,890,661	8.8%
FMR LLC, Edward C. Johnson 3d (3) 82 Devonshire Street Boston, MA 02109	5,816,773	8.7%
BlackRock, Inc. (4) 40 East 52nd Street New York, NY 10022	5,129,383	7.7%
Eagle Asset Management (5) 880 Carillon Parkway St. Petersburg, Florida 33716	4,462,742	6.7%
David A. Benson (6)	32,207	*
Barry N. Bycoff (7)	95,499	*
Gary G. Conway (8)	8,468	*
Ram Gupta (9)	7,132	*
Charles F. Kane (10)	110,974	*
David A. Krall (11)	79,908	*
Christopher Larsen(12)	63,266	*
Robert Levy (13)	1,780	*
Michael L. Mark (14)	344,371	*
Richard D. Reidy (15)	842,645	1.2%
Norman R. Robertson (16)	160,457	*
Charles F. Wagner (17)	8,000	*
All executive officers and directors as a group (16 persons) (18)	2,281,769	3.3%

* Less than 1%

(1) All persons named in the table have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them, subject to community property laws where applicable and subject to the other information contained in the footnotes to this table. Unless otherwise noted the address of such person is c/o Progress Software Corporation, 14 Oak Park, Bedford, Massachusetts 01730.

(2) Derived from Schedule 13G/A filed on February 11, 2011 and adjusted to reflect the 3-for-2 stock split completed on January 31, 2011. The Schedule 13G/A reported that T. Rowe Price held sole voting power over 1,418,085 shares and sole dispositive power over 5,890,661 shares. According to the Schedule 13G/A, these shares are owned by various individual and institutional investors which T. Rowe Price serves as investment adviser with power to direct investments and/or sole power to vote the shares. For the purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended, T. Rowe Price is deemed to be a beneficial owner of these shares. However, T. Rowe Price expressly disclaims that it is, in fact, the beneficial owner of these shares.

(3) Derived from Schedule 13G/A filed on February 14, 2011 and adjusted to reflect the 3-for-2 stock split completed on January 31, 2011. The Schedule 13G/A reported the following:

Fidelity Management & Research Company, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 4,780,202 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 4,780,202 shares owned by the funds.

Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC.

Neither FMR LLC nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the funds, which power resides with the funds Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the funds Boards of Trustees.

Pyramis Global Advisors, LLC (PGALLC), 900 Salem Street, Smithfield, Rhode Island, 02917, an indirect wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 37,350 shares as a result of its serving as investment adviser to institutional accounts, non-U.S. mutual funds, or investment companies registered under Section 8 of the Investment Company Act of 1940 owning such shares.

Edward C. Johnson 3d and FMR LLC, through its control of PGALLC, each has sole dispositive power over 37,350 shares and sole power to vote or to direct the voting of 37,350 shares owned by the institutional accounts or funds advised by PGALLC as reported above.

Pyramis Global Advisors Trust Company (PGATC), 900 Salem Street, Smithfield, Rhode Island, 02917, an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 999,222 shares as a result of its serving as investment manager of institutional accounts owning such shares.

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Edward C. Johnson 3d and FMR LLC, through its control of Pyramis Global Advisors Trust Company, each has sole dispositive power over 999,222 shares and sole power to vote or to direct the voting of 875,022 shares owned by the institutional accounts managed by PGATC as reported above.

- (4) Derived from Schedule 13G/A filed on February 10, 2011 and adjusted to reflect the 3-for-2 stock split completed on January 31, 2011. The Schedule 13G reported that BlackRock, Inc. had sole voting power and sole dispositive power with respect to all shares reported.

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- (5) Derived from Schedule 13G filed on January 27, 2011 and adjusted to reflect the 3-for-2 stock split completed on January 31, 2011. The Schedule 13G reported that Eagle Asset Management had sole voting power and sole dispositive power with respect to all shares reported.
- (6) Includes 23,834 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011 and 4,000 shares issuable upon vesting of RSUs that will vest within 60 days of February 28, 2011.
- (7) Includes 65,503 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011 and 16,420 fully vested deferred stock units.
- (8) Includes 4,576 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011 and 3,650 shares issuable upon vesting of RSUs that will vest within 60 days of February 28, 2011.
- (9) Includes 2,501 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011 and 4,630 fully vested deferred stock units.
- (10) Includes 78,623 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011 and 19,483 fully vested deferred stock units.
- (11) Includes 61,494 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011 and 5,547 fully vested deferred stock units.
- (12) Includes 49,280 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011 and 7,000 shares issuable upon vesting of RSUs that will vest within 60 days of February 28, 2011.
- (13) Includes 1,779 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011.
- (14) Includes 216,746 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011 and 7,110 fully vested deferred stock units.
- (15) Includes 806,248 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011 and 32,750 shares issuable upon vesting of RSUs that will vest within 60 days of February 28, 2011.
- (16) Includes 143,000 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011 and 2,000 shares issuable upon vesting of RSUs that will vest within 60 days of February 28, 2011.
- (17) Includes 8,000 shares issuable upon vesting of restricted stock units that will vest within 60 days of February 28, 2011.
- (18) Includes 1,947,273 shares issuable upon the exercise of outstanding options that are exercisable within 60 days of February 28, 2011, 71,000 shares issuable upon vesting of RSUs that will vest within 60 days of February 28, 2011 and 53,190 fully vested deferred stock units.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. These reporting persons are required by regulations of the SEC to furnish us with copies of all such filings. Based solely on a review of the copies of such forms that we have received, and on written representations from certain reporting persons, we believe that, with respect to the fiscal year ended November 30, 2010, our directors, officers and 10% shareholders complied with all applicable Section 16(a) filing requirements.

CERTAIN RELATIONSHIPS

Review of Transactions with Related Persons

Pursuant to the Audit Committee Charter, which can be found at www.progress.com, the Audit Committee is responsible for the review and approval of related person transactions. A related person is a director, executive officer, nominee for director or certain shareholders of our company since the beginning of the last fiscal year and their respective immediate family members. A related person transaction is a transaction involving: (1) our company and any related person when the amount involved exceeds \$120,000, and (2) the related person has a material direct or indirect interest.

We identify transactions for review and approval through our Code of Conduct, which can be found at www.progress.com. The Code of Conduct requires our employees to disclose any potential or actual conflicts of interest to his or her manager, our human resources department or our Chief Compliance Officer. This disclosure also applies to potential conflicts involving immediate family members of employees. Each year we require our directors and executive officers to complete a questionnaire intended to identify any transactions or potential transactions that must be reported according to SEC rules and regulations. This questionnaire also requires our directors and executive officers to promptly notify us of any changes during the course of the year.

Transactions with Related Persons

We have a contract with Salesforce.com, pursuant to which we purchased software and services relating to Salesforce.com's customer relationship management product, through which we record, track, manage, analyze and share information regarding our sales, customer service and support, and marketing operations. During fiscal year 2010, we paid approximately \$956,000 to Salesforce.com. Craig Conway, the brother of Gary Conway, our Senior Vice President and Chief Marketing Officer, is a member of the Board of Directors of Salesforce.com. We entered into the contract with Salesforce.com prior to Mr. Conway joining our company.

We did not engage in any other transactions or series of similar transactions in which the amount involved exceeded \$120,000 and in which any of our directors or executive officers, any holder of more than 5% of any class of our voting securities or any member of the immediate family of any of the foregoing persons had a direct or indirect material interest.

AUDIT COMMITTEE REPORT

Management is responsible for establishing and maintaining adequate internal control over financial reporting to ensure the integrity of the company's financial statements. The company's independent registered public accounting firm, Deloitte & Touche LLP, is responsible for performing an audit of the effectiveness of the company's internal control over financial reporting in conjunction with an audit of the consolidated financial statements in accordance with standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and issuing opinions on the financial statements and the effectiveness of internal control over financial reporting. The Audit Committee has met and held discussions with management and Deloitte & Touche LLP regarding the internal control over financial reporting and the financial audit process of the company.

The Audit Committee has received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the audit committee concerning independence, and has discussed with Deloitte & Touche LLP the independent accountant's independence.

The Audit Committee reviewed and discussed the company's audited consolidated financial statements for the fiscal year ended November 30, 2010 with management and Deloitte & Touche LLP. Management has represented to the Audit Committee that the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The Audit Committee discussed with Deloitte & Touche LLP the overall scope and plans for their audit. The Audit Committee also discussed with Deloitte & Touche LLP the matters set forth in Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the PCAOB in Rule 3200T. The Audit Committee met with Deloitte & Touche LLP, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls, and the overall quality of our financial reporting. The Audit Committee reviewed with Deloitte & Touche LLP, who are responsible for expressing an opinion on the conformity of our audited consolidated financial statements with generally accepted accounting principles, their judgments as to the quality of our accounting principles, and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards.

Based on the above-mentioned reviews and discussions with management and Deloitte & Touche LLP, the Audit Committee recommended to the Board of Directors that the company's audited consolidated financial statements be included in its Annual Report on Form 10-K for the fiscal year ended November 30, 2010, for filing with the Securities and Exchange Commission.

No portion of this Audit Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that the company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.

Respectfully submitted by the Audit Committee,

Charles F. Kane, Chairman

Ram Gupta

Michael L. Mark

INFORMATION ABOUT OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Selection of Independent Registered Public Accounting Firm

The Audit Committee has selected the firm of Deloitte & Touche LLP, independent registered public accounting firm, to serve as our independent registered public accounting firm for the fiscal year ending November 30, 2011. We have been advised that a representative of Deloitte & Touche LLP will be present at the annual meeting. This representative will have the opportunity to make a statement if he or she desires and will be available to respond to appropriate questions presented at the meeting.

Independent Registered Public Accounting Firm Fees

Aggregate fees billed to us for services performed for the fiscal years ended November 30, 2010 and November 30, 2009 by our independent registered public accounting firm, Deloitte & Touche LLP, were as follows:

	Fiscal Year 2010 (\$)	Fiscal Year 2009 (\$)
Audit Fees (1)	1,992,608	2,018,765
Tax Fees (2)	1,481,743	1,238,927
Audit-Related Fees (3)		56,945
All Other Fees		

- (1) Includes statutory audit fees related to our wholly-owned foreign subsidiaries, as the results of these audits are utilized in the audit of our consolidated financial statements. In accordance with the policy on Audit Committee pre-approval, 100% of audit services provided by the independent registered public accounting firm are pre-approved.
- (2) Includes fees primarily for tax compliance, tax advice and tax planning (domestic and international). In accordance with the policy on Audit Committee pre-approval, 100% of tax services provided by the independent registered public accounting firm are pre-approved.
- (3) Includes fees related to the performance of audits and attest services not required by statute or regulations, due diligence related to mergers, acquisitions, proposed transactions, and accounting consultations regarding the application of generally accepted accounting principles to proposed transactions. In accordance with the policy on Audit Committee pre-approval, 100% of audit-related services provided by the independent registered public accounting firm are pre-approved.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee is responsible for appointing, setting compensation, and overseeing the work of our independent registered public accounting firm. The Audit Committee has established a policy regarding pre-approval of all audit and permissible non-audit services provided by the independent registered public accounting firm.

Requests for specific services by the independent registered public accounting firm which comply with the auditor services policy are reviewed by our Finance, Tax, and Internal Audit departments. Requests approved by

the group are aggregated and submitted to the Audit Committee in one of the following ways:

Request for approval of services at a meeting of the Audit Committee; or

Request for approval of services by the Chairman of the Audit Committee and then the approval by the full committee at the next meeting of the Audit Committee.

The request may be made with respect to either specific services or a type of service for predictable or recurring services.

OTHER MATTERS

Our Board of Directors knows of no other matters to be brought before the annual meeting. If any other matters are properly brought before the annual meeting, the persons appointed as proxies for the meeting intend to vote the shares represented by that proxy in accordance with their best judgment on such matters.

PROPOSALS OF SHAREHOLDERS FOR 2012 ANNUAL MEETING

We anticipate that our 2012 Annual Meeting of Shareholders will be held on or about April 26, 2012. Proposals of shareholders intended to be presented at the 2012 annual meeting must, in order to be included in our proxy statement and the form of proxy for the 2012 annual meeting, be received at our principal executive offices by November 27, 2011.

Under our by-laws, any shareholder intending to present any proposal (other than a proposal made by, or at the direction of, our Board of Directors) at the 2012 annual meeting, must give written notice of that proposal (including certain information about any nominee or matter proposed and the proposing shareholder) to our Secretary not later than the close of business on the 90th day (January 29, 2012) nor earlier than the close of business on the 120th day (December 30, 2011) prior to the first anniversary of the preceding year's annual meeting. However, in the event that the date of the annual meeting is advanced by more than 30 days before or delayed by more than 60 days after that anniversary date, the notice must be delivered not earlier than the close of business on the 120th day prior to the annual meeting and not later than the close of business on the later of the 90th day prior to the annual meeting or the 10th day following the day on which public announcement of the date of the meeting is first made.

EXPENSES OF SOLICITATION

We will bear the cost of solicitation of proxies. In addition to soliciting shareholders by mail, we will reimburse banks, brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket costs in forwarding proxy materials to the beneficial owners of shares held of record by them. Our directors, officers and regular employees may, without additional compensation, solicit shareholders in person or by mail, telephone, facsimile, or otherwise following the original solicitation.

AVAILABLE INFORMATION

Shareholders of record on February 28, 2011 will receive with this proxy statement a copy of our 2010 Annual Report on Form 10-K, containing detailed financial information concerning our company. Our 2010 Annual Report on Form 10-K is also available on-line from the SEC's EDGAR database at the following address:

www.sec.gov/cgi-bin/srch-edgar?progress+software

We will furnish our 2010 annual report on Form 10-K, including the financial statements, free of charge upon written request. The exhibits to the 2010 annual report on Form 10-K not included in the proxy materials are available electronically at www.sec.gov. Written requests should be directed to our Secretary at the address above. Our 2010 annual report on Form 10-K (including exhibits thereto) is also available on our website at www.progress.com.

Dear Shareholder:

Please take note of the important information enclosed with this proxy card. There are a number of issues related to the management and operation of your Company that require your immediate attention and approval. These are discussed in detail in the enclosed proxy materials.

Your vote counts, and you are strongly encouraged to exercise your right to vote your shares.

Please mark the boxes on this proxy card to indicate how your shares will be voted. Then sign the card, detach it and return your proxy vote in the enclosed postage paid envelope.

Your vote must be received prior to the Annual Meeting of Shareholders, April 28, 2011.

Thank you in advance for your prompt consideration of these matters.

Sincerely,

Progress Software Corporation

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**PROGRESS SOFTWARE CORPORATION
14 OAK PARK, BEDFORD, MASSACHUSETTS 01730
PROXY FOR ANNUAL MEETING OF SHAREHOLDERS APRIL 28, 2011**

The undersigned shareholder of Progress Software Corporation, revoking all prior proxies, hereby appoints Richard D. Reidy and Charles F. Wagner, or either of them acting singly, proxies, with full power of substitution, to vote all shares of Common Stock of Progress Software Corporation which the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Company to be held at the Company's office at 14 Oak Park, Bedford, Massachusetts on April 28, 2011, at 10:00 A.M., local time, and at any adjournments thereof, upon matters set forth in the Notice of Annual Meeting and Proxy Statement dated March 22, 2011, a copy of which has been received by the undersigned, and in their discretion, upon any other business that may properly come before the meeting or any adjournments thereof. THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY. A SHAREHOLDER WISHING TO VOTE IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS NEED ONLY SIGN AND DATE THIS PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE. Attendance of the undersigned at the meeting or any adjourned session thereof will not be deemed to revoke the proxy unless the undersigned shall affirmatively indicate the intention of the undersigned to vote the shares represented hereby in person.

(Continued and to be signed on the reverse side)

COMMENTS:

**ANNUAL MEETING OF SHAREHOLDERS OF
PROGRESS SOFTWARE CORPORATION
April 28, 2011**

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:

The Notice of Meeting, proxy statement and proxy card
are available at <http://materials.proxyvote.com/743312>

Please sign, date and mail
your proxy card in the
envelope provided as soon
as possible.

Please detach along perforated line and mail in the envelope provided.

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**THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO
DIRECTION IS GIVEN, THE SHARES WILL BE VOTED FOR THE ELECTION OF THE NOMINEES
FOR THE BOARD OF DIRECTORS LISTED ON THE REVERSE SIDE, FOR PROPOSALS 2 AND 3, AND
FOR 1 YEAR ON PROPOSAL 4. THE PROXIES ARE
AUTHORIZED TO VOTE IN THEIR DISCRETION UPON SUCH OTHER MATTERS AS MAY
PROPERLY COME BEFORE
THE ANNUAL MEETING.
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK
YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

1. Election of Directors. .. FOR ALL NOMINEES .. WITHHOLD AUTHORITY FOR ALL NOMINEES .. FOR ALL EXCEPT (See instructions below)	NOMINEES: O Barry N. Bycoff O Ram Gupta O Charles F. Kane O David A. Krall O Michael L. Mark O Richard D. Reidy	2. To approve an amendment to the Progress Software Corporation Restated Articles of Organization to increase the number of authorized shares of common stock from 100,000,000 to 200,000,000	FOR AGAINST ABSTAIN
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3. Advisory vote on the compensation of Progress Software Corporation's named executive officers	FOR AGAINST ABSTAIN
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4. Advisory vote on the frequency of future advisory votes on the compensation of Progress Software Corporation's named executive officers	1 Yr 2Yr 3Yr Abstain
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PLEASE COMPLETE, DATE AND SIGN THIS PROXY ON THE OTHER SIDE AND MAIL IT IN THE ENCLOSED ENVELOPE TO ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES. PLEASE SIGN EXACTLY AS NAME(S) APPEAR(S) ON STOCK CERTIFICATE(S). IF SHAREHOLDER IS A CORPORATION OR PARTNERSHIP, PLEASE HAVE AN AUTHORIZED OFFICER SIGN ON BEHALF OF THE CORPORATION OR PARTNERSHIP.

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: =

TO INCLUDE ANY COMMENTS, USE THE COMMENTS BOX ON THE REVERSE SIDE OF THIS CARD.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of
Shareholder

Date:

Signature of
Shareholder

Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.