PROGRESS SOFTWARE CORP /MA
Form 10-Q
October 10, 2008

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

FORM 10-Q

(Mark One)

þ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended August 31, 2008
OR

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission File Number: 0-19417
PROGRESS SOFTWARE CORPORATION
(Exact name of registrant as specified in its charter)

MASSACHUSETTS	**04-2746201**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14 Oak Park
Bedford, Massachusetts 01730
(Address of principal executive offices)(Zip code)
Telephone Number: **(781) 280-4000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
As of September 30, 2008, there were 39,822,000 shares of the registrant s common stock, $.01 par value per share, outstanding.

PROGRESS SOFTWARE CORPORATION
FORM 10-Q
FOR THE THREE MONTHS ENDED AUGUST 31, 2008
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PART 1. FINANCIAL INFORMATION
Item 1. Unaudited Consolidated Financial Statements
Condensed Consolidated Balance Sheets (unaudited)
(In thousands)

	August 31, 2008	November 30, 2007
Assets		
Current assets:		
Cash and equivalents	$ 212,269	$ 53,879
Short-term investments	19,194	285,646
Total cash and short-term investments	231,463	339,525
Accounts receivable, net	90,160	93,998
Other current assets	20,529	17,891
Deferred income taxes	12,323	13,009
Total current assets	354,475	464,423
Property and equipment, net	63,045	64,949
Acquired intangible assets, net	54,346	59,931
Goodwill	155,333	149,057
Deferred income taxes	20,614	17,617
Investments	51,526	
Other assets	14,585	5,851
Total	$ 713,924	$ 761,828
Liabilities and Shareholders Equity		
Current liabilities:		
Current portion, long-term debt	$ 324	$ 305
Accounts payable	10,408	12,684
Accrued compensation and related taxes	37,928	50,092
Income taxes payable	945	3,409
Other accrued liabilities	26,466	26,493
Short-term deferred revenue	137,821	135,487
Total current liabilities	213,892	228,470
Long-term debt, less current portion	1,107	1,352
Long-term deferred revenue	9,169	11,200
Deferred income taxes	4,235	2,817

Other non-current liabilities	3,773	115
Commitments and contingencies		
Shareholders equity:		
Common stock and additional paid-in capital; authorized, 100,000 shares; issued and outstanding, 39,817 shares in 2008 and 42,380 shares in 2007	207,206	240,647
Retained earnings and accumulated other comprehensive gains of $1,505 in 2008 and $4,833 in 2007	274,542	277,227
Total shareholders equity	481,748	517,874
Total	$ 713,924	$ 761,828

See notes to unaudited condensed consolidated financial statements.

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Condensed Consolidated Statements of Operations (unaudited)
(In thousands, except per share data)

	Three Months Ended Aug. 31,		Nine Months Ended Aug 31,	
	2008	2007	2008	2007
Revenue:				
Software licenses	$ 45,998	$ 44,011	$ 136,115	$ 133,295
Maintenance and services	80,622	77,793	240,014	223,380
Total revenue	126,620	121,804	376,129	356,675
Costs of revenue:				
Cost of software licenses	3,219	2,109	7,679	5,661
Cost of maintenance and services	16,558	16,915	51,914	50,048
Amortization of acquired intangibles for purchased technology	2,958	2,496	8,448	7,480
Total costs of revenue	22,735	21,520	68,041	63,189
Gross profit	103,885	100,284	308,088	293,486
Operating expenses:				
Sales and marketing	48,367	47,644	142,366	138,034
Product development	21,076	19,829	62,299	61,013
General and administrative	14,966	13,188	43,472	47,248
Amortization of other acquired intangibles	1,369	1,820	4,092	5,746
Total operating expenses	85,778	82,481	252,229	252,041
Income from operations	18,107	17,803	55,859	41,445
Other income (expense):				
Interest income and other	2,230	2,602	8,045	6,851
Foreign currency gain (loss)	410	(332)	(153)	(1,870)
Total other income, net	2,640	2,270	7,892	4,981
Income before provision for income taxes	20,747	20,073	63,751	46,426
Provision for income taxes	8,210	7,026	23,907	16,250
Net income	$ 12,537	$ 13,047	$ 39,844	$ 30,176
Earnings per share:				
Basic	$ 0.31	$ 0.31	$ 0.96	$ 0.73

Diluted	$ 0.30	$ 0.30	$ 0.92	$ 0.69
Weighted average shares outstanding:				
Basic	40,528	41,712	41,416	41,319
Diluted	42,156	44,153	43,189	43,742

See notes to unaudited condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows (unaudited)
(In thousands)

	Nine Months Ended August 31,	
	2008	2007
Cash flows from operating activities:		
Net income	$ 39,844	$ 30,176
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	7,845	7,276
Write-down for asset impairment		2,388
Amortization of capitalized software costs		131
Amortization of acquired intangible assets	12,540	13,226
Stock-based compensation	11,612	16,586
Deferred income taxes	1,615	1,843
Tax benefit from stock options	2,361	556
Excess tax benefit from stock options	(1,574)	
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	3,077	8,005
Other current assets	1,161	1,188
Accounts payable and accrued expenses	(16,227)	(18,555)
Income taxes payable	(3,820)	(149)
Deferred revenue	2,003	9,165
Net cash provided by operating activities	60,437	71,836
Cash flows from investing activities:		
Purchases of investments available for sale	(140,806)	(196,115)
Sales and maturities of investments available for sale	352,859	134,496
Purchases of property and equipment	(6,024)	(14,625)
Acquisitions, net of cash acquired	(11,758)	
Investment in IONA Technologies	(6,668)	
Increase in other non-current assets	(1,837)	(953)
Net cash provided by (used for) investing activities	185,766	(77,197)
Cash flows from financing activities:		
Issuance of common stock	21,711	24,669
Excess tax benefit from stock options	1,574	1,473
Payment of long-term debt	(226)	(209)
Repurchase of common stock	(108,316)	(19,529)
Net cash provided by (used for) financing activities	(85,257)	6,404
Effect of exchange rate changes on cash	(2,556)	2,994

Net increase in cash and equivalents	158,390	4,037
Cash and equivalents, beginning of period	53,879	46,449
Cash and equivalents, end of period	$ 212,269	$ 50,486

See notes to unaudited condensed consolidated financial statements.

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Notes to Unaudited Condensed Consolidated Financial Statements

Note 1: Basis of Presentation

We have prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements and these unaudited financial statements should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2007.

We have prepared the accompanying unaudited condensed consolidated financial statements on the same basis as the audited financial statements, and these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full fiscal year.

New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141R, Business Combinations (SFAS 141R). SFAS 141R establishes a framework to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We will apply SFAS 141R to any acquisition after the date of adoption.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands fair value measurement disclosures. In February 2008, the FASB issued FASB Staff Position No. FAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 and FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157 . Collectively, the Staff Positions defer the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value on a recurring basis at least annually, and amend the scope of SFAS 157. We have adopted SFAS 157 except for those items specifically deferred under FSP No. FAS 157-2. We are currently evaluating the impact of the full adoption of SFAS 157 on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS 160). The standard changes the accounting for noncontrolling (minority) interests in consolidated financial statements including the requirements to classify noncontrolling interests as a component of consolidated shareholders equity, and the elimination of minority interest accounting in results of operations with earnings attributable to noncontrolling interests reported as a part of consolidated earnings. Additionally, SFAS 160 revises the accounting for both increases and decreases in a parent s controlling ownership interest. SFAS 160 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. We are currently evaluating the impact of adopting SFAS 160 on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161) as an amendment to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities . SFAS 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. We are currently evaluating the impact of adopting SFAS 161 on our consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, Determination of the Useful Life of Intangible Assets . FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets . FSP FAS 142-3 is effective for fiscal years beginning after

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December 15, 2008 and early adoption is prohibited. We are currently evaluating the impact of adopting FSP FAS 142-3 on our consolidated financial statements.

Note 2: Revenue Recognition

We recognize software license revenue upon shipment of the product or, if delivered electronically, when the customer has the right to access the software, provided that the license fee is fixed or determinable, persuasive evidence of an arrangement exists and collection is probable. We do not consider software license arrangements with payment terms greater than ninety days beyond our standard payment terms to be fixed and determinable and therefore such software license fees are recognized upon due date. We do not license our software with a right of return and generally do not license our software with conditions of acceptance. If an arrangement does contain conditions of acceptance, we defer recognition of the revenue until the acceptance criteria are met or the period of acceptance has passed. We generally recognize revenue for products distributed through application partners and distributors when sold through to the end-user.

We generally sell our software licenses with maintenance services and, in some cases, also with consulting services. For the undelivered elements, we determine vendor-specific objective evidence (VSOE) of fair value to be the price charged when the undelivered element is sold separately. We determine VSOE for maintenance sold in connection with a software license based on the amount that will be separately charged for the maintenance renewal period. We determine VSOE for consulting services by reference to the amount charged for similar engagements when a software license sale is not involved.

We generally recognize revenue from software licenses sold together with maintenance and/or consulting services upon shipment using the residual method, provided that the above criteria have been met. If VSOE of fair value for the undelivered elements cannot be established, we defer all revenue from the arrangement until the earlier of the point at which such sufficient VSOE does exist or all elements of the arrangement have been delivered, or if the only undelivered element is maintenance, then we recognize the entire fee ratably. If payment of the software license fees is dependent upon the performance of consulting services or the consulting services are essential to the functionality of the licensed software, then we generally recognize both the software license and consulting fees using the percentage of completion method.

We recognize maintenance revenue ratably over the term of the applicable agreement. We generally recognize revenue from services, primarily consulting and customer education, as the related services are performed.

Note 3: Earnings Per Share

We calculate basic earnings per share using the weighted average number of common shares outstanding. We compute diluted earnings per share on the basis of the weighted average number of common shares outstanding plus the effects of outstanding stock options using the treasury stock method. The following table provides the calculation of basic and diluted earnings per share on an interim basis:

(In thousands, except per share data)

	Three Months Ended Aug. 31,		Nine Months Ended Aug. 31,	
	2008	2007	2008	2007
Net income	$ 12,537	$ 13,047	$ 39,844	$ 30,176
Weighted average shares outstanding	40,528	41,712	41,416	41,319
Dilutive impact from outstanding stock Options and deferred stock units	1,628	2,441	1,773	2,423
Diluted weighted average shares outstanding	42,156	44,153	43,189	43,742
Earnings per share:				

Basic	$	0.31	$	0.31	$	0.96	$	0.73
Diluted	$	0.30	$	0.30	$	0.92	$	0.69

Stock options to purchase approximately 3,406,000 shares and 2,098,000 shares of common stock were excluded from the calculation of diluted earnings per share in the third quarter of fiscal years 2008 and 2007, respectively,

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because these options were anti-dilutive. Stock options to purchase approximately 2,945,000 shares and 2,406,000 shares of common stock were excluded from the calculation of diluted earnings per share in the first nine months of fiscal years 2008 and 2007, respectively, because these options were anti-dilutive.

Note 4: Stock-based Compensation

Our stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date, is recognized over the relevant service period, and is adjusted each period for anticipated forfeitures. We estimate the fair value of each stock-based award on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to stock price volatility, the expected life of options, a risk-free interest rate and dividend yield.

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

(In thousands)

	Three Months Ended Aug. 31,		Nine Months Ended Aug. 31,	
	2008	2007	2008	2007
Cost of software licenses	$ 12	$ 24	$ 48	$ 97
Cost of maintenance and services	212	286	705	1,148
Sales and marketing	1,335	1,499	4,184	5,997
Product development	881	960	2,737	3,810
General and administrative	1,092	1,409	3,938	5,534
Total stock-based compensation expense	$3,532	$4,178	$11,612	$16,586

Note 5: Income Taxes

We provide for income taxes during interim periods based on the estimated effective tax rate for the full fiscal year. We record cumulative adjustments to the tax provision in an interim period in which a change in the estimated annual effective rate is determined. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. We have not provided for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries, as these earnings have been permanently reinvested or would be principally offset by foreign tax credits.

On December 1, 2007, we adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN 48). FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with Statement 109, Accounting for Income Taxes . The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

The total amount of gross unrecognized tax benefits as of December 1, 2007 (the date of adoption of FIN 48) was $4.4 million which was reclassified to non-current liabilities. In addition, as of the date of adoption, $4.3 million of unrecognized benefits would affect our effective tax rate if realized. The adoption of FIN 48 resulted in a nominal decrease to our retained earnings. We recognize interest and penalties related to uncertain tax positions as a component of our provision for income taxes and the gross amount of interest and penalties accrued as of the date of adoption was $0.3 million.

Domestically, U.S. federal and state taxing authorities are currently examining our income tax returns for years through fiscal 2005. Many issues are at an advanced stage in the examination process, the most significant of which relates to research and development credits. With all domestic audit issues considered in the aggregate, we believe it was reasonably possible that, as of December 1, 2007, the unrecognized tax benefits related to these audits could decrease (whether by payment, release, or a combination of both) in the next 12 months by as much as $1.5 million. Our U.S. federal and, with some exceptions, our state income tax returns have been examined or are closed by statute for all years prior to fiscal 2003, and we are no longer subject to audit for those periods.

Internationally, tax authorities for certain non-U.S. jurisdictions are also examining returns affecting unrecognized tax benefits. With some exceptions, we are generally no longer subject to tax examinations in non-U.S. jurisdictions for years prior to fiscal 2001.

We believe that we have adequately provided for any reasonably foreseeable outcomes related to our tax audits and that any settlement will not have a material adverse effect on our consolidated financial position or results of operations. However, there can be no assurances as to the possible outcomes.

Note 6: Adoption of SFAS 157 Fair Value Measurements

On December 1, 2007, we adopted SFAS No. 157 Fair Value Measurements (SFAS 157). In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157 , which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, we only have adopted the provisions of SFAS 157 with respect to our financial assets and liabilities. This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The following table details the fair value measurements within the fair value hierarchy of our financial assets:

(In thousands)

		Fair Value Measurements at the Reporting Date Using		
Description	August 31, 2008	Quoted Prices in Active Markets Using Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities	$ 70,720	$ 19,194		$ 51,526
Investment in IONA	7,201	7,201		
Foreign exchange derivatives	820		$ 820	
Total	$ 78,741	$ 26,395	$ 820	$ 51,526

We have reclassified our investments related to auction rate securities (ARS) to the Level 3 category, which total $51.5 million and are classified as non-current. During the first quarter of fiscal 2008, such investments were classified in the Level 2 category. We reclassified our ARS to the Level 3 category as some of the inputs used in the trinomial discount model (described below) included unobservable inputs. Our ARS are floating rate securities with longer-term maturities which are marketed by financial institutions with auction reset dates at primarily 28 or 35 day intervals to provide short-term liquidity. The underlying collateral of the ARS consist primarily of municipal bonds, which are insured by monoline insurance companies, with the remainder consisting of student loans, which are supported by the federal government as part of the Federal Family Education Loan Program (FFELP) and by the monoline insurance companies. Beginning in February 2008, auctions for these securities began to fail, and the interest rates for these ARS reset to the maximum rate per the applicable investment offering document. As of February 29, 2008, our ARS investments totaled $109.8 million. During the second quarter, investments totaling $38.2 million were either redeemed at par by the issuer or sold at a successful auction, reducing the par value of our

ARS investments to $71.6 million. During the third quarter, investments totaling $17.2 million were either redeemed at par by the issuer or sold at a successful auction, reducing the par value of our ARS investments to $54.4 million. We will not be able to access these remaining funds until a future auction for these ARS is successful, we sell the securities in a secondary market, or they are redeemed by the issuer. As such, these remaining investments currently lack short-term liquidity and were therefore reclassified as non-current on our balance sheet.

The following table reflects the activity for our major classes of assets measured at fair value using Level 3 inputs:

(In thousands)

	Available For-sale Securities
Balance, December 1, 2007 and February 29, 2008	$
Transfers from Level 2	109,800
Redemptions and sales	(38,245)
Unrealized losses included in accumulated other comprehensive income	(3,864)
Balance, May 31, 2008	67,691
Redemptions and sales	(17,155)
Reduction in the unrealized loss included in accumulated other comprehensive income	990
Balance, August 31, 2008	$ 51,526

For each of our ARS, we evaluated the risks related to the structure, collateral and liquidity of the investment, and forecasted the probability of issuer default, auction failure and a successful auction at par or a redemption at par for each future auction period. Using a trinomial discount model, the weighted average cash flow for each period was then discounted back to present value for each security. Based on this methodology, we determined that the fair value of our ARS investments is $51.5 million, and we recorded a temporary impairment charge of $2.9 million to reduce the value of our ARS. Based on our cash and short-term investments balance of $231.5 million and expected operating cash flows, we do not anticipate the lack of liquidity associated with our ARS to adversely affect our ability to conduct business and believe we have the ability to hold the remaining securities throughout the currently estimated recovery period. Therefore, the impairment was only temporary in nature. If the credit rating of either the security issuer or the third-party insurer underlying the investments deteriorates, we may be required to adjust the carrying value of the ARS through an impairment charge in our results of operations.

Note 7: Comprehensive Income

The components of comprehensive income include net income, foreign currency translation adjustments and unrealized gains and losses on investments. The following table provides the composition of comprehensive income on an interim basis:

(In thousands)

	Three Months Ended Aug. 31,		Nine Months Ended Aug. 31,	
	2008	2007	2008	2007
Net income, as reported	$ 12,537	$ 13,047	$ 39,844	$ 30,176
Foreign currency translation adjustments, net of tax	(3,172)	364	(1,873)	1,582
Unrealized gains (losses) on investments, net of tax	946	51	(1,455)	17
Total comprehensive income	$ 10,311	$ 13,462	$ 36,516	$ 31,775

Note 8: Common Stock Repurchases

In September 2007, the Board of Directors authorized, for the period from October 1, 2007 through September 30, 2008, the purchase of up to 10,000,000 shares of our common stock, at such times that management deems such purchases to be an effective use of cash. We purchased and retired approximately 3,752,000 shares of our common stock for $108.3 million in the first nine months of fiscal 2008 as compared to approximately 705,000 shares of our common stock for $19.5 million in the first nine months of fiscal 2007. In September 2008, the Board of Directors authorized, for the period from October 1, 2008 through September 30, 2009, the purchase of up to 10,000,000 shares of our common stock, at such times that management deems such purchases to be an effective use of cash.

Note 9: Goodwill

Goodwill is the amount by which the cost of acquired net assets in a business acquisition exceeded the fair value of net identifiable assets on the date of purchase. Goodwill in certain jurisdictions changes each period due to changes in foreign currency exchange rates. During the first quarter of fiscal 2008, we completed our annual testing for impairment of goodwill and, based on those tests, concluded that no impairment of goodwill existed as of December 15, 2007. For purposes of the annual impairment test, we assigned goodwill of $30.3 million to the OpenEdge and SOA operating segment, excluding a preliminary allocation of $2.2 million of goodwill related to the Mindreef acquisition which occurred in June 2008, $88.2 million to the DataDirect Technologies operating segment, excluding a preliminary allocation of $4.2 million of goodwill related to the Xcalia acquisition which occurred in February 2008, and $30.4 million to the other operating segment. See Note 11 for a description of the current year acquisitions and Note 10 for a description of each operating segment.

Note 10: Segment Information

At the beginning of fiscal 2008, we reorganized our business into five operating segments. The reorganization resulted in the separation of the DataXtend Division as its own operating segment from the Enterprise Infrastructure Division and the combination of the remainder of the Enterprise Infrastructure Division with the OpenEdge Division, which created the OpenEdge and SOA Group. Our principal operating segment conducts business as the OpenEdge and SOA Group. The OpenEdge and SOA Group provides the Progress® OpenEdge platform and the Sonic and Actional product sets, interoperable, best-in-class service infrastructure products used to build, deploy and manage a service-oriented architecture. Another significant operating segment, DataDirect Technologies, provides standards-based data connectivity software. Our other three operating segments include the Apama Division, the DataXtend Division and the EasyAsk Division.

Segment information is presented in accordance with SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. This standard is based on a management approach, which requires segmentation based upon our internal organization and disclosure of revenue and operating income based upon internal accounting methods. Our chief decision maker (CDM) is our Chief Executive Officer.

For fiscal 2008, we have two operating segments which met the requirements for separate disclosure: OpenEdge and SOA Group and DataDirect Technologies. The other three operating segments are below the threshold for separate disclosure and are included in the Other segment. We do not manage our assets, capital expenditures, other income or provision for income taxes by segment. We manage such items on a consolidated company basis.

The following table provides revenue and income from operations from our reportable segments on an interim basis:

(In thousands)	Three months ended, Aug. 31, 2008	Nine months ended, Aug. 31, 2008
Revenue:		
OpenEdge and SOA segment	$ 100,306	$ 302,173
DataDirect Technologies segment	20,068	54,678
Other segment	9,963	26,016
Reconciling items	(3,717)	(6,738)
Total	$ 126,620	$ 376,129
Income (loss) from operations:		
OpenEdge and SOA segment	$ 25,045	$ 85,258
DataDirect Technologies segment	2,865	5,434
Other segment	(1,118)	(6,172)
Reconciling items	(8,685)	(28,661)

Total	$ 18,107	$ 55,859

We did not include prior year comparisons as it is not practical to restate the fiscal 2007 data into the fiscal 2008 structure or the fiscal 2008 data into the fiscal 2007 structure.

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The reconciling items within revenue primarily represent intersegment sales, which are accounted for as if sold under an equivalent arms-length basis arrangement. Amounts included under reconciling items within income from operations represent amortization of acquired intangibles, stock-based compensation and certain unallocated administrative expenses.
Total revenue by significant product line, regardless of which segment generated the revenue, is as follows:

(In thousands)

	Three Months Ended Aug. 31,		Nine Months Ended Aug. 31,	
	2008	2007	2008	2007
DataDirect	$ 20,068	$ 16,996	$ 54,678	$ 50,191
Enterprise Infrastructure	25,140	22,511	69,936	60,527
Progress OpenEdge and other	81,412	82,297	251,515	245,957
Total revenue	$ 126,620	$ 121,804	$ 376,129	$ 356,675