SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

/X/ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the Quarterly Period Ended August 31, 1996

OR

/ / Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number: 0-19417

PROGRESS SOFTWARE CORPORATION
(Exact name of registrant as specified in its charter)

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)
Telephone Number: (617) 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 X No

As of September 30, 1996, there were 12,674,949 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, 1996

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PROGRESS SOFTWARE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	August 31, 1996 (Unaudited)	November 30, 1995 (Audited)
ASSETS		
Current assets:		
Cash and equivalents	$ 30,878	$ 33,465
Short-term investments	65,251	58,873
Accounts receivable (less allowance for doubtful accounts of $5,089 in 1996 and $4,611 in 1995)	30,037	41,652
Inventories	1,630	2,090
Other current assets	4,738	4,804
Deferred income taxes	3,485	3,227
Total current assets	136,019	144,111
Property and equipment-net	25,164	24,318
Capitalized software costs-net	5,288	4,668
Other assets	2,959	2,639
Total	$169,430	$175,736
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 49	$ 89
Accounts payable	6,668	9,536
Accrued compensation and related taxes	9,883	14,829
Income taxes payable	2,273	2,231
Other accrued liabilities	5,122	4,350
Advanced payments from customers	1,038	812
Deferred revenue	27,390	26,993
Total current liabilities	52,423	58,840
Deferred income taxes	3,013	2,706
Long-term debt	68	73
Minority interest in subsidiary	285	636
Commitments and contingency		
Shareholders' equity:		
Preferred stock, $.01 par value; authorized, 1,000,000 shares; issued, none		
Common stock, $.01 par value; authorized, 20,000,000 shares; issued and outstanding, 12,668,899 shares in 1996 and 12,905,998 shares in 1995	127	129
Additional paid-in capital	42,005	46,467
Retained earnings	71,575	66,783
Unrealized gain on short-term investments	20	133
Cumulative translation adjustments	(86)	(31)
Total shareholders' equity	113,641	113,481
Total	$169,430	$175,736

See notes to condensed consolidated financial statements.

PROGRESS SOFTWARE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	1996	1995	1996	1995
Revenue:				
Software licenses	$19,658	$25,789	$ 69,381	$ 77,134
Maintenance and support services	21,753	19,172	62,074	50,003
Total revenue	41,411	44,961	131,455	127,137
Costs and expenses:				
Cost of software licenses	2,011	1,717	6,592	4,537
Cost of maintenance and support services	7,689	6,628	21,699	17,306
Sales and marketing	20,942	20,254	64,949	57,175
Product development	6,096	6,099	17,987	17,586
Purchase of in-process software development	--	--	--	2,373
General and administrative	5,449	4,560	15,938	13,287
Total costs and expenses	42,187	39,258	127,165	112,264
Income (loss) from operations	(776)	5,703	4,290	14,873
Other income (expense):				
Interest income	943	922	2,884	2,541
Interest expense	(1)	(5)	(7)	(11)
Foreign currency gain (loss)	20	(209)	(283)	(650)
Minority interest	95	133	351	329
Other income (expense)	49	(3)	26	8
Total other income	1,106	838	2,971	2,217
Income before provision for income taxes	330	6,541	7,261	17,090
Provision for income taxes	112	2,223	2,469	6,617
Net income	$ 218	$ 4,318	$ 4,792	$ 10,473
Income per common share	$ 0.02	$ 0.31	$ 0.36	$ 0.77
Weighted average number of common and common equivalent shares outstanding	12,915	13,752	13,268	13,536

See notes to condensed consolidated financial statements.

PROGRESS SOFTWARE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended August 31, 1996	Nine Months Ended August 31, 1995
Cash flows from operating activities:		
Net income	$ 4,792	$ 10,473
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	7,058	3,904
Charge for purchase of in-process software development	--	2,373
Amortization of capitalized software costs	1,224	774
Amortization of intangible assets	268	215
Deferred income taxes	51	34
Minority interest in subsidiary	(351)	(329)
Noncash compensation	2	2
Changes in operating assets and liabilities:		
Accounts receivable	11,566	(1,516)
Inventories	464	(225)
Other current assets	(107)	(994)
Accounts payable and accrued expenses	(6,601)	(4,994)
Income taxes payable	215	2,477
Deferred revenue	399	5,458
Total adjustments	14,188	7,179
Net cash provided by operating activities	18,980	17,652
Cash flows from investing activities:		
Purchases of investments available for sale	(59,302)	(71,900)
Maturities of investments available for sale	20,600	47,414
Sales of investments available for sale	32,211	8,758
Purchase of property and equipment	(7,943)	(8,859)
Capitalized software costs	(1,844)	(1,822)
Acquisition of CSI, net of cash acquired	--	(1,894)
Increase in other noncurrent assets	(452)	(1,094)
Net cash used for investing activities	(16,730)	(29,397)
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,642	4,492
Repurchase of common stock	(6,276)	--
Contributions from minority interest	--	1,039
Payment of obligations under capital leases	(49)	(61)
Net cash provided by (used for) financing activities	(4,683)	5,470
Effect of exchange rate changes on cash	(154)	420
Net decrease in cash and equivalents	(2,587)	(5,855)
Cash and equivalents, beginning of period	33,465	24,533
Cash and equivalents, end of period	$ 30,878	$ 18,678

See notes to condensed consolidated financial statements.

PROGRESS SOFTWARE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Progress Software Corporation (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the audited financial statements included in the Company's Annual Report and Form 10-K for the fiscal year ended November 30, 1995.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the audited financial statements, and 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.

2. Income Per Common Share

Income per common share is computed on a fully-diluted basis using the weighted average number of common and common equivalent shares outstanding during each period presented.

3. Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and are comprised of product media, documentation, and packaging.

4. Income Taxes

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year. Cumulative adjustments to the tax provision are recorded in the interim period in which a change in the estimated annual effective rate is determined.

5. Contingency

The Company's 401(k) Plan has approximately $900,000 in Guaranteed Investment Contracts (GICs) issued by Mutual Benefit Life Insurance Company (MBLI). On July 16, 1991, the Insurance Commissioner of the State of New Jersey took possession and control of MBLI's assets. In April 1994, a rehabilitation plan was approved by the Superior Court of New Jersey. Pursuant to the plan, the GICs are supported by a group of life insurance companies and are paid out from the assets of MBL Life Assurance Corporation, the successor to MBLI. The Company is not presently able to determine whether the 401(k) Plan or its participants will incur any losses as a result of this action or whether, if such losses are incurred, the Company might be subject to any liability (either directly as a Plan fiduciary or as an indemnitor of officers and directors of the Company who serve as trustees of the Plan).

6. Accounting for Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). The Company will adopt SFAS 123 in fiscal 1997. As permitted by SFAS 123, the Company intends to continue to apply Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and will make the proforma disclosures required by SFAS 123. Adoption will not have a material effect on the Company's financial position or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The Company's total revenue and net income for the third quarter of fiscal 1996 decreased 8% and 95%, respectively, from the total revenue and net income for the third quarter of fiscal 1995. The Company's total revenue for the first nine months of 1996 increased 3% from the first nine months of 1995. The Company's net income for the first nine months of 1996 decreased 63% from the first nine months of 1995 before the non-recurring charge. In the first quarter of fiscal 1995, the Company recorded a non-recurring charge of $2,373,000 for purchase of in-process software development costs related to the acquisition of Crescent Software, Inc. (CSI). The acquisition was accounted for as a purchase.

The following table sets forth certain income and expense items as a percentage of total revenue, and the percentage change in dollar amounts of such items compared with the corresponding period in the previous fiscal year.

	Percentage of Total Revenue				Period-to-Period Change	
	Three Months Ended August 31,		Nine Months Ended August 31,		Three Months 1996 Compared to 1995	Nine Months 1996 Compared to 1995
	1996	1995	1996	1995		
Revenue:						
Software licenses	47%	57%	53%	61%	(24)%	(10)%
Maintenance and support services	53	43	47	39	13	24
Total revenue	100	100	100	100	(8)	3
Cost and expenses:						
Cost of software licenses	5	4	5	3	17	45
Cost of maintenance and support services	19	15	17	14	16	25
Sales and marketing	50	45	49	45	3	14
Product development	15	13	14	14	0	2
Purchase of in-process software development	-	-	-	2	-	-
General and administrative	13	10	12	10	19	20
Total costs and expenses	102	87	97	88	7	13
Income (loss) from operations	(2)	13	3	12	(114)	(71)
Other income	2	2	3	1	32	34
Income before provision for income taxes	1	15	6	13	(95)	(58)
Provision for income taxes	0	5	2	5	(95)	(63)
Net income	1%	10%	4%	8%	(95)%	(54)%

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The Company's total revenue decreased 8% from $44,961,000 in the third quarter of fiscal 1995 to $41,411,000 in the third quarter of fiscal 1996. The Company's total revenue increased 3% from $127,137,000 in the first nine months of fiscal 1995 to $131,455,000 in the first nine months of fiscal 1996. Software license revenue decreased 24% from $25,789,000 in the third quarter of fiscal 1995 to $19,658,000 in the third quarter of fiscal 1996. Software license revenue decreased 10% from $77,134,000 in the first nine months of fiscal 1995 to $69,381,000 in the first nine months of fiscal 1996. The software license revenue decrease is attributable to increased competition, a slowdown in the rate of growth for application development tools, the transition some of the Company's Application Partners face in the marketplace as they move their applications to PROGRESS Version 8 and the new user-based pricing structure implemented in the fourth quarter of fiscal 1995. The new pricing structure appears to have resulted in smaller initial purchases since customers have reduced the number of user counts purchased. During the first nine months of fiscal 1996, the Company entered into approximately 219 new Application Partner agreements worldwide (92 in North America and 127 outside North America). Maintenance and support services revenue increased 13% from $19,172,000 in the third quarter of fiscal 1995 to $21,753,000 in the third quarter of fiscal 1996. Maintenance and support services revenue increased 24% from $50,003,000 in the first nine months of fiscal 1995 to $62,074,000 in the first nine months of fiscal 1996. The maintenance and support services revenue increase is primarily a result of growth in the Company's installed customer base, renewal of maintenance contracts and greater demand for consulting services. Total revenue generated in markets outside North America increased from $69,688,000 in the first nine months of fiscal 1995 to $76,144,000 in the first nine months of fiscal 1996 and increased from 55% to 58% of total revenue in each period. Total revenue generated outside North America would not have been significantly different in the first nine months of fiscal 1996 if exchange rates had been constant as compared to the first nine months of fiscal 1995.

Cost of software licenses consists primarily of cost of product media, documentation, duplication, packaging, royalties, and amortization of capitalized software costs. Cost of software licenses increased 17% from $1,717,000 in the third quarter of fiscal 1995 to $2,011,000 in the third quarter of fiscal 1996 and increased as a percentage of software license revenue from 7% to 10%. Cost of software licenses increased 45% from $4,537,000 in the first nine months of fiscal 1995 to $6,592,000 in the first nine months of fiscal 1996 and increased as a percentage of software license revenue from 6% to 10%. The percentage and dollar increase is due to an increase in amortization of capitalized software costs, higher documentation costs associated with PROGRESS Version 7 and Version 8 as compared to Version 6, higher royalty expense and an increase in the number of software license update shipments. Cost of software licenses as a percentage of software license revenue can vary depending upon the relative product mix in the related period.

Cost of maintenance and support services consists primarily of costs of providing customer technical support, education, and consulting. Cost of maintenance and support services increased 16% from $6,628,000 in the third quarter of fiscal 1995 to $7,689,000 in the third quarter of fiscal 1996 but remained approximately 35% of maintenance and support services revenue in each period. Cost of maintenance and support services increased 25% from $17,306,000 in the first nine months of fiscal 1995 to $21,699,000 in the first nine months of fiscal 1996, but remained approximately 35% of maintenance and support services revenue in each period. The dollar increase was due primarily to the growth in the Company's technical support, education, and consulting staff and related costs required to support the growth in the Company's installed customer base. The Company increased its technical support, education, and consulting staff from 209 to 214 (111 in North America and 98 outside North America at August 31, 1995 to 121 in North America and 93 outside North America at August 31, 1996).

Sales and marketing expenses increased 3% from $20,254,000 in the third quarter of fiscal 1995 to $20,942,000 in the third quarter of fiscal 1996 and increased as a percentage of total revenue from 45% to 50%. Sales and marketing expenses increased 14% from $57,175,000 in the first nine months of fiscal 1995 to $64,949,000 in the first nine months of fiscal 1996, and increased as a percentage of total revenue from 45% to 49%. The percentage and dollar increase in sales and marketing expenses was primarily due to expansion of the sales, sales support and marketing staff, the establishment of a subsidiary in Argentina and, to a lesser extent, expansion of marketing activities associated with

PROGRESS Version 8 and the Crescent Division product line. The Company increased its sales, sales support and marketing staff from 445 to 494 (250 in North America and 195 outside North America at August 31, 1995 to 260 in North America and 234 outside North America at August 31, 1996).

Product development expenses remained approximately the same, decreasing slightly from $6,099,000 in the third quarter of fiscal 1995 to $6,096,000 in the third quarter of fiscal 1996, but increased as a percentage of total revenue from 13% to 15%. Product development expenses increased 2% from $17,586,000 in the first nine months of fiscal 1995 to $17,987,000 in the first nine months of fiscal 1996, but remained approximately 14% of total revenue. The dollar increase was due primarily to higher average personnel costs and other related costs to support continued new product development efforts for WebSpeed and the PROGRESS Version 8 product set in the Enterprise Division and Visual Basic add-on tools and components within the Crescent Division. The product development staff decreased from 244 at August 31, 1995 to 200 at August 31, 1996. However, the average headcount of the product development staff has decreased by less than 5% in the first nine months of fiscal 1996 as compared to the first nine months of fiscal 1995.

The Company capitalized $842,000 of software development costs in the third quarter of fiscal 1995 and $627,000 in the third quarter of fiscal 1996, which represented 12% and 9%, respectively, of total product development expenses in each period. The Company capitalized $1,822,000 in the first nine months of fiscal 1995 and $1,844,000 in the first nine months of fiscal 1996, which represented 9% of total product development expenses in both periods. A substantial portion of the amount capitalized related to work on the next release of PROGRESS Version 8. Capitalized software costs are amortized over the estimated life of the product (two to four years) and amounts amortized are included in cost of software licenses for the period.

General and administrative expenses include the costs of the finance, human resources, legal, information systems, and administrative departments of the Company. General and administrative expenses increased 19% from $4,560,000 in the third quarter of fiscal 1995 to $5,449,000 in the third quarter of fiscal 1996, and increased as a percentage of total revenue from 10% to 13%. General and administrative expenses increased 20% from $13,287,000 in the first nine months of fiscal 1995 to $15,938,000 in the first nine months of fiscal 1996, and increased as a percentage of total revenue from 10% to 12%. The dollar increase resulted primarily from the addition of personnel and related costs to support the growth of the Company's operations. The Company increased its administrative staff from 174 to 180 (92 in North America and 82 outside North America at August 31, 1995 to 102 in North America and 78 outside North America at August 31, 1996).

Other income increased approximately $268,000 from $838,000 in the third quarter of fiscal 1995 to $1,106,000 in the third quarter of fiscal 1996 due primarily to a foreign currency gain of $20,000 in the third quarter of fiscal 1996 as compared to a foreign currency loss of $209,000 in the third quarter of fiscal 1995. Other income increased approximately $754,000 from $2,217,000 in the first nine months of fiscal 1995 to $2,971,000 in the first nine months of fiscal 1996 due primarily to higher interest income, lower foreign currency losses and the minority interest in the Company's joint venture in Japan. All revenue, costs and expenses attributable to the Company's joint venture are included in the Company's revenue, costs and expenses. To account for the fact that the Company owns only a 51% interest in the joint venture, other income (expense) reflects that portion of the joint venture's income or loss which is attributable to the 49% minority interest in the joint venture. The joint venture generated a net loss in each period presented and the Company recorded as "other income - minority interest" an amount equal to 49% of the joint venture's net loss. The increase in interest income was due to higher average cash balances. Foreign currency gains and losses relate primarily to the translation and settlement of short-term intercompany receivables.

The Company's effective tax rate was 34.0% in the third quarter of fiscal 1996 and in the first nine months of fiscal 1996 as compared to 34.0% in the third quarter of fiscal 1995 and 38.7% in the first nine months of fiscal 1995. The decrease in the first nine months of 1996 from the first nine months of fiscal 1995 was due to nondeductible expenses related to the acquisition of CSI in January 1995 included in fiscal 1995. Excluding these nondeductible expenses, the Company's effective tax rate for fiscal 1995 was 34.0%.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $96,129,000 in cash and short-term investments at August 31, 1996. The increase of $3,791,000 from $92,338,000 at November 30, 1995 was due primarily to cash generated from operations.

The Company purchased $8,859,000 of property and equipment in the first nine months of fiscal 1995 and $7,943,000 in the first nine months of fiscal 1996, which consisted of computer equipment and software, furniture and fixtures, and leasehold improvements. The level of property and equipment purchases resulted from continued growth in the business. The Company financed these purchases from cash generated from operations.

The Company purchased 396,500 shares of its common stock for $6,276,000 in the first nine months of fiscal 1996 under the Board of Directors' previously announced authorization to purchase up to 3,000,000 shares of common stock through September 30, 1996. In September 1996, the Board of Directors authorized, during the period from October 1, 1996 through September 30, 1997, the purchase of up to 3,000,000 shares of the Company's common stock at such times when the Company deems such purchases to be an effective use of cash. The Company financed these purchases from cash generated from operations.

Total current liabilities decreased approximately $6,417,000 from November 30, 1995. This was primarily due to a decrease in accrued compensation and related taxes of $4,946,000 resulting from the payment of fiscal 1995 bonuses and profit sharing.

The Company's 401(k) Plan has approximately $900,000 in Guaranteed Investment Contracts (GICs) issued by Mutual Benefit Life Insurance Company (MBLI). On July 16, 1991, the Insurance Commissioner of the State of New Jersey took possession and control of MBLI's assets. In April 1994, a rehabilitation plan was approved by the Superior Court of New Jersey. Pursuant to the plan, the GICs are supported by a group of life insurance companies and are paid out from the assets of MBL Life Assurance Corporation, the successor to MBLI. The Company is not presently able to determine whether the 401(k) Plan or its participants will incur any losses as a result of this action or whether, if such losses are incurred, the Company might be subject to any liability (either directly as a Plan fiduciary or as an indemnitor of officers and directors of the Company who serve as trustees of the Plan).

The Company believes that existing cash balances together with its funds generated from operations will be sufficient to finance the Company's operations and meet its foreseeable cash requirements (including planned capital expenditures, lease commitments, and other long-term obligations) at least through the next twelve months.

FACTORS THAT MAY AFFECT FUTURE RESULTS

The Company operates in a rapidly changing environment that involves certain risks and uncertainties, some of which are beyond the Company's control. The following discussion highlights some of these risks.

The Company's future operating results may vary from quarter-to-quarter, and, as such, one quarter's results should not be relied upon as an indication of future performance. Revenue forecasting is uncertain, in large part, because the Company generally ships its products upon receipt of orders. This uncertainty is compounded because each quarter's revenue is derived disproportionately from orders booked and shipped during the third month, and disproportionately in the latter half of that month. In contrast, most of the company's expenses are relatively fixed, including costs of personnel and facilities, and are not easily reduced rapidly. Thus, an unexpected reduction in the Company's revenue, or in the rate of growth of such revenue, would have a material adverse effect on the profitability of the Company.

Approximately 50% of the Company's total revenue for the first nine months of fiscal 1996 was attributable to international sales made through international subsidiaries. Because a substantial portion of the Company's total revenue is derived from such international operations which are conducted in foreign currencies, changes in the value of these foreign currencies relative to the United States dollar may affect the Company's results of operations and financial position. The Company engages in certain currency-hedging transactions intended to reduce the effect of fluctuations in foreign currency exchange rates on the Company's results of operations. However, there can be no assurance that such hedging transactions will materially reduce the effect of fluctuation in foreign currency exchange rates on such results. If for any reason exchange or price controls or other restrictions on the conversion of foreign currencies were imposed, the Company's business could be adversely affected. Other potential risks inherent in the Company's international business generally include longer payment cycles, greater difficulties in accounts receivable collection and the burdens of complying with a wide variety of foreign laws and regulations.

The Company's operations are currently organized around the Enterprise Division and the Crescent Division. The Enterprise Division develops and markets the Company's core product line, the PROGRESS Application Development Environment, the PROGRESS RDBMS, and the PROGRESS Dataserver Architecture (collectively, "PROGRESS"). In November 1995, the Company began commercially shipping the latest major enhancement to the PROGRESS product line, PROGRESS Version 8. In September 1996, the Company announced the availability of WebSpeed, an open development and deployment environment that enables organizations to build transaction processing applications on the Internet and corporate intranets. The Company's Crescent Division develops and markets a collection of advanced tools and components to Visual Basic development teams. The Crescent Division began offering these products commercially in January 1995 and has since released major enhancements to its existing line of products as well as many new products.

Although the Company believes that PROGRESS, WebSpeed and the Crescent line of products have features and functionality which enable the Company to compete effectively with other vendors of application development products, ongoing enhancements to PROGRESS, WebSpeed and the Crescent line of products will be required to enable the Company to maintain its competitive position. There can be no assurance that the Company will be successful in developing and marketing enhancements to its products on a timely basis, or that the enhancements will adequately address the changing needs of the marketplace. Delays in the release of enhancements may negatively affect results.

The Company has derived most of its revenue from PROGRESS and other products which complement PROGRESS and are generally licensed only in conjunction with PROGRESS. Accordingly, the Company's future results depend on continued market acceptance of PROGRESS and any factor adversely affecting the market for PROGRESS could have a material adverse effect on the Company's business and its financial results. Future results may also depend upon the Company's continued successful distribution of PROGRESS through its Application Partner channel and may be impacted by downward pressure on pricing, which may not be offset by increases in volume. Application Partners resell PROGRESS along with their own applications and any adverse effect on their business related to competition, pricing and other factors could have a material adverse effect on the Company.

The Company experiences significant competition from a variety of sources with respect to the marketing and distribution of PROGRESS. Some of these competitors have greater financial, marketing or technical resources than the Company and may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than can the Company.

The Company hopes that the Crescent Division and other new products, such as WebSpeed, will contribute positively to the Company's future results. The market for the Crescent product line is extremely competitive and may be affected by changes in Microsoft's strategy with respect to Visual Basic and the add-on product market for Visual Basic, and market acceptance of products competitive with Visual Basic. The market for internet transaction processing products, such as WebSpeed, is highly competitive and will depend on the commercial acceptance of the Internet as a medium for all types of commerce.

Overlaying the risks associated with the Company's existing products and enhancements are ongoing technological developments and rapid changes in customer requirements. The Company's future success will depend upon its ability to develop and introduce in a timely manner new products that take advantage of technological advances and respond to new customer requirements. The Company's Enterprise and Crescent Divisions are currently developing new products intended to help organizations meet the future needs of application developers.

The development of new products is increasingly complex and uncertain, which increases the risk of delays. There can be no assurance that the Company will be successful in developing new products incorporating new technology on a timely basis, or that its new products will adequately address the changing needs of the marketplace. The marketplace for these new products is intensely competitive and characterized by low barriers to entry. As a result, new competitors possessing technological, marketing or other competitive advantages may emerge and rapidly acquire market share.

The Company's future success will depend in large part upon its ability to attract and retain highly skilled technical, managerial and marketing personnel. Competition for such personnel in the software industry is intense. There can be no assurance that the Company will continue to be successful in attracting and retaining the personnel it requires to successfully develop new and enhanced products and to continue to grow and operate profitably.

The Company's success is heavily dependent upon its proprietary software technology. The Company relies principally on a combination of contract provisions and copyright, trademark and trade secret laws to protect its proprietary technology. There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate to prevent misappropriation of its technology or independent development by others of similar technology. Although the Company believes that its products and technology do not infringe on any existing proprietary rights of others, the use of patents to protect software has increased, and there can be no assurance that third parties will not assert infringement claims in the future.

The Company's stock price, like that of other technology companies, is subject to significant volatility. If revenues or earnings in any quarter fail to meet the investment community's expectations, there could be an immediate impact on the Company's stock price. The stock price may also be affected by broader market trends unrelated to the Company's performance.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

11.1 - Statement regarding computation of per share earnings
27.1 - Financial Data Schedule

b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended August 31, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROGRESS SOFTWARE CORPORATION
(Registrant)

Dated: October 10, 1996	/s/ Joseph W. Alsop ------------------------------- Joseph W. Alsop President and Treasurer (Principal Executive Officer)
Dated: October 10, 1996	/s/ Norman R. Robertson ------------------------------ Norman R. Robertson Vice President, Finance (Principal Financial Officer)
Dated: October 10, 1996	/s/ Mary B. Miller ------------------------------ Mary B. Miller Director, Finance and Administration (Principal Accounting Officer)

PROGRESS SOFTWARE CORPORATION

Exhibit Index

EXHIBIT 11.1

(In thousands, except per share data)

PRIMARY

	Three Months Ended August 31, 1996	Three Months Ended August 31, 1995	Nine Months Ended August 31, 1996	Nine Months Ended August 31, 1995
Weighted average number of common and common equivalent shares outstanding:				
Common stock	12,769	12,752	12,878	12,606
Common equivalent shares resulting from stock options (treasury stock method)	102	866	375	772
Total	12,871	13,618	13,253	13,378
Net income	$ 218	$ 4,318	$ 4,792	$10,473
Net income per common share	$ 0.02	$ 0.32	$ 0.36	$ 0.78

FULLY-DILUTED

	Three Months Ended August 31, 1996	Three Months Ended August 31, 1995	Nine Months Ended August 31, 1996	Nine Months Ended August 31, 1995
Weighted average number of common and common equivalent shares outstanding:				
Common stock	12,769	12,752	12,878	12,606
Common equivalent shares resulting from stock options (treasury stock method)	146	1,000	390	930
Total	12,915	13,752	13,268	13,536
Net income	$ 218	$ 4,318	$ 4,792	$10,473
Net income per common share	$ 0.02	$ 0.31	$ 0.36	$ 0.77

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTAINED IN THE COMPANY'S FORM 10-Q FOR THE PERIOD ENDING AUGUST 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
U.S. DOLLARS

9-MOS
NOV-30-1996
DEC-01-1995
AUG-31-1996
1
30,878
65,251
35,126
5,089
1,630
136,019
53,026
27,862
169,430
52,423
0
127
0
0
113,514
169,430
69,381
131,455
6,592
127,165
0
0
7
7,261
2,469
4,792
0
0
0
4,792
0.36
0.36