

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

SCHEDULE 13D  
(RULE 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT  
TO 13D-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO  
RULE 13d-2(a)

(AMENDMENT NO. \_\_\_)

PERSISTENCE SOFTWARE, INC.

-----  
(Name of Issuer)

COMMON STOCK, PAR VALUE \$.001 PER SHARE

-----  
(Title of Class of Securities)

715329 10 8

-----  
(CUSIP Number)

NORMAN R. ROBERTSON  
SENIOR VICE PRESIDENT, FINANCE AND ADMINISTRATION AND CHIEF FINANCIAL OFFICER  
PROGRESS SOFTWARE CORPORATION  
14 OAK PARK  
BEDFORD, MA 01730  
(617) 280-4000

-----  
(Name, Address and Telephone Number of Person Authorized to Receive  
Notices and Communications)

SEPTEMBER 26, 2004

-----  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box [ ].

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

(Continued on following pages)

(Page 1 of 8 Pages)

1 NAME OF REPORTING PERSON  
 I.R.S. IDENTIFICATION NOS. OF ABOVE PERSON (ENTITIES ONLY)  
 PROGRESS SOFTWARE CORPORATION  
 I.R.S. IDENTIFICATION NO.: 04-2746201

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) [ ] (b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS\*  
 WC (SEE ITEM 3 BELOW.)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS  
 2(d) or 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION  
 THE COMMONWEALTH OF MASSACHUSETTS

NUMBER OF SHARES BENEFICIALLY OWNED BY REPORTING PERSON WITH	7	SOLE VOTING POWER	0
	8	SHARED VOTING POWER	996,466(1)
	9	SOLE DISPOSITIVE POWER	0
	10	SHARED DISPOSITIVE POWER	0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY REPORTING PERSON 996,466(1)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES\* [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 34.0%(2)

14 TYPE OF REPORTING PERSON\*  
 CO

(1) 996,466 shares of Persistence common stock are subject to Voting Agreements entered into between Progress and certain stockholders of Persistence (discussed in Items 3 and 4 below), of which 212,544 shares are issuable upon exercise of outstanding options and warrants which are either vested or will vest within 60 days of September 26, 2004.

(2) Based on the number of shares of Persistence common stock outstanding as of September 26, 2004 (as represented by Persistence in the Merger Agreement discussed in Item 4 below), the number of shares of Persistence common stock indicated, including the shares of Persistence common stock subject to options and warrants that are exercisable within sixty days of September 26, 2004, represents approximately 34.0% of the outstanding Persistence common stock.

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

Neither the filing of this Schedule 13D nor any of its contents shall be construed as an admission by Progress that it is the beneficial owner of any of the common stock of Persistence referred to herein for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended.

ITEM 1. SECURITY AND ISSUER.

This statement on Schedule 13D relates to the common stock, par value \$0.001 per share, of Persistence Software, Inc., a Delaware corporation (the "Issuer"). The principal executive offices of the Issuer are located at 1720 South Amphlett Boulevard, Third Floor, San Mateo, California 94402.

ITEM 2. IDENTITY AND BACKGROUND.

(a) The name of the person filing this statement is Progress Software Corporation, a Massachusetts corporation ("Progress").

(b) The address of Progress' principal office and principal business is 14 Oak Park, Bedford, Massachusetts 01730.

(c) Progress develops, markets and distributes software to simplify and accelerate the development, deployment, integration and management of business applications.

(d) Neither Progress nor, to Progress' knowledge, any person named in Schedule A hereto is required to disclose legal proceedings pursuant to Item 2(d).

(e) Neither Progress nor, to Progress' knowledge, any person named in Schedule A hereto is required to disclose legal proceedings pursuant to Item 2(e).

(f) With the exception of Mr. Sanjay Vaswani, who is an Indian citizen, to Progress' knowledge, each of the individuals identified on Schedule A attached hereto is a citizen of the United States.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

As an inducement for Progress to enter into the Merger Agreement described in Item 4 and in consideration thereof, the directors, officers and certain stockholders of the Issuer entered into Voting Agreements with Progress (discussed in Item 4 below). Progress did not pay additional consideration to the directors, officers and certain stockholders of the Issuer in connection with the execution and delivery of the Voting Agreements. In addition, the directors, officers and certain stockholders of the Issuer granted Progress an irrevocable proxy with respect to the Issuer securities covered by the Voting Agreements.

References to, and descriptions of, the Merger (discussed in Item 4 below), the Merger Agreement and the Voting Agreements, as set forth herein, are qualified in their entirety by reference to the copies of the Merger Agreement and the form of Voting Agreement, respectively, included as Exhibits 1 and 2, respectively, to this Schedule 13D, and are incorporated herein in their entirety where such references and descriptions appear.

ITEM 4. PURPOSE OF TRANSACTION.

(a) - (b) Pursuant to the Voting Agreements, dated as of September 26, 2004 (the "Voting Agreements"), among Progress and certain stockholders of the Issuer listed on Schedule B hereto (collectively, the "Stockholders"), Progress may be deemed to be the beneficial owner of 996,466 shares of Issuer common stock (collectively, the "Subject Shares"). Progress and the Stockholders entered into the Voting Agreements to induce Progress to enter into the Agreement and Plan of Merger, dated September 26, 2004 (the "Merger Agreement"), among Progress, Issuer and PSI Acquisition Sub, Inc., a Delaware corporation and a wholly owned first-tier subsidiary of Progress ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub will merge with and into the Issuer (the "Merger"), with the Issuer continuing as the surviving corporation in the Merger as a wholly owned subsidiary of Progress (the "Surviving Corporation"). In the Merger, each share of Issuer common stock will be converted into the right to receive \$5.70 in cash, without interest. The Merger is subject to customary conditions, including requisite approval by the stockholders of the Issuer.

The Voting Agreements were entered into as a condition to the willingness of Progress to enter into the Merger Agreement and to increase the likelihood that the approval of the Issuer's stockholders required in connection with the Merger will be obtained. Pursuant to the terms of the Voting Agreements, any shares of capital stock of the Issuer acquired by any Stockholder after the date of the Voting Agreements and during the term of the Voting Agreements (including any stock options, warrants or similar instruments) will be subject to the Voting Agreements. Accordingly, any such acquisition of shares of capital stock of the Issuer by any Stockholder may result in Progress being deemed to acquire beneficial ownership of additional securities of the Issuer.

Pursuant to the Voting Agreements, the Stockholders, with respect to the Subject Shares (and any additional shares of capital stock or other securities of the Issuer acquired by any Stockholder after the date of the Voting Agreements and during the term of the Voting Agreements), have agreed, among other things, (i) not to cause or permit any Transfer (as defined in Section 1(c) of the Voting Agreements) of any of the shares to be effected or make any offer regarding the Transfer of any of the shares; (ii) not to deposit, or permit the deposit of, any shares in a voting trust, grant any proxy in respect of the shares, or enter into any voting agreement or similar arrangement, commitment or understanding; (iii) to vote in favor of the approval of the Merger and the adoption and approval of the Merger Agreement, and in favor of each of the other actions contemplated by the Merger Agreement; (iv) to vote against approval of any proposal made in opposition to, or in competition with,

consummation of the Merger, including, without limitation, any acquisition proposal or superior offer (defined in Sections 5.4(a) and 5.1(c), respectively, of the Merger Agreement) or any action or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of the Issuer under the Merger Agreement or of any Stockholder under the Voting Agreement.

Further, as part of the Voting Agreements, each Stockholder has entered into an Irrevocable Proxy thereby irrevocably appointing members of the Board of Directors of Progress, and each of them individually, as the sole and exclusive attorneys and proxies of each Stockholder (the "Attorneys"), with full power of substitution and resubstitution, to vote and exercise all voting and related rights (to the full extent that the Stockholder is entitled to do so) with respect to all of the shares of capital stock of Issuer that now are or hereafter may be beneficially owned by the Stockholder, and any and all other shares or securities of the Issuer issued or issuable in respect thereof on or after the date of the Voting Agreement in accordance with the terms of the Irrevocable Proxy, a copy of which is attached as Exhibit I to the Voting Agreement filed as Exhibit 2 to this Schedule 13D. The names of each Stockholder and the number of Subject Shares beneficially owned by each Stockholder, are set forth on Schedule B hereto.

In exercising the right to vote the Subject Shares as the sole and exclusive attorneys and proxies of the Stockholders, the Attorneys' rights are limited to voting the Subject Shares, or granting a consent or similar approval with respect to the Subject Shares, (i) in favor of the approval of the Merger and the adoption and approval of the Merger Agreement, and in favor of each of the other actions contemplated by the Merger Agreement; (ii) against approval of any proposal made in opposition to, or in competition with, consummation of the Merger, including, without limitation, any acquisition proposal or superior offer (defined in Sections 5.4(a) and 5.1(c), respectively, of the Merger Agreement) or any action or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of the Issuer under the Merger Agreement or of any Stockholder under the Voting Agreement.

The Voting Agreements and Irrevocable Proxies expire upon the earlier of (i) such date and time as the Merger shall become effective in accordance with the terms and provisions of the Merger Agreement, or (ii) such date and time as the Merger Agreement shall have been validly terminated pursuant to Article 7 of the Merger Agreement.

(c) Not applicable.

(d) Upon consummation of the Merger, the directors of the Surviving Corporation shall be the existing directors of Merger Sub as of immediately prior to the consummation of the Merger, until their resignation or removal or until their successors are duly elected and qualified. The existing director of Merger Sub is Joseph W. Alsop. The officers of the Surviving Corporation shall be the existing officers of Merger Sub as of immediately prior to the consummation of the Merger.

The existing officers of Merger Sub are Joseph W. Alsop, President, Norman R. Robertson, Treasurer, and James D. Freedman, Secretary.

(e) Other than as a result of the Merger described in this Item 4, not applicable.

(f) Not applicable.

(g) Upon consummation of the Merger, the Certificate of Incorporation of the Issuer shall be amended and restated to be the same in substance as the Certificate of Incorporation of Merger Sub, as in effect immediately prior to the Merger, until thereafter amended. The name of the Surviving Corporation shall be Persistence Software, Inc. Upon consummation of the Merger, the By-laws of Merger Sub, as in effect immediately prior to the Merger, shall be the By-laws of the Surviving Corporation until thereafter changed or amended.

(h) - (i) Upon consummation of the Merger, the Issuer common stock will be delisted from The Nasdaq SmallCap Market and will become eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act.

(j) Other than as described above, Progress currently has no plan or proposals that relate to, or may result in, any of the matters listed in Items 4(a) - (i) of Schedule 13D (although Progress reserves the right to develop such plans).

**ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.**

(a)-(b) As a result of the Voting Agreements, Progress may be deemed to be the beneficial owner of the Subject Shares. The Subject Shares (which include 212,544 shares of common stock subject to options and warrants that are exercisable within 60 days of September 26, 2004) constitute approximately 34.0% of the issued and outstanding shares of Issuer common stock, based on the Issuer's representation in the Merger Agreement that there were 2,718,664 shares of Issuer common stock issued and outstanding at the close of business on September 26, 2004. Progress may be deemed to have the shared power to vote the Subject Shares with respect to those matters described in Item 4 above. However, Progress is not entitled to any rights as a stockholder of Issuer as to the Subject Shares and expressly disclaims any beneficial ownership of the shares covered by the Voting Agreements. Progress does not have the power to dispose of the Subject Shares.

(c) Neither Progress nor, to the knowledge of Progress, any person named in Schedule A has effected any transaction in the Issuer common stock during the past 60 days.

(d) To the knowledge of Progress, no other person has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities of Issuer.

(e) Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

Other than as described in Items 3, 4 and 5 and the agreements incorporated herein by reference and set forth as exhibits hereto, to the knowledge of Progress, there are no other contracts, arrangements, understandings or relationships (legal or otherwise) among the persons named in Item 2 and between such persons and any person with respect to any securities of the Issuer, including but not limited to transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

ITEM 7. MATERIALS TO BE FILED AS EXHIBITS.

The following documents are filed as exhibits:

- 99.1 Agreement and Plan of Merger dated as of September 26, 2004, by and among Progress Software Corporation, a Massachusetts corporation, PSI Acquisition Sub, Inc., a Delaware corporation and a wholly owned first-tier subsidiary of Progress and Persistence Software, Inc., a Delaware corporation (filed as Exhibit 99.1 to the periodic report on Form 8-K of Progress Software, filed with the SEC on September 27, 2004, and incorporated herein by reference).
- 99.2 Form of Voting Agreement and Irrevocable Proxy dated September 26, 2004, which has been entered into between Progress Software Corporation and those stockholders of Persistence Software, Inc. listed on Schedule B hereto.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete, and correct.

Dated: October 6, 2004

Progress Software Corporation

By: /s/ Norman R. Robertson

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Norman R. Robertson  
Senior Vice President, Finance and  
Administration and Chief Financial Officer



SCHEDULE A

A. EXECUTIVE OFFICERS AND EMPLOYEE MEMBERS OF THE BOARD OF DIRECTORS OF PERSISTENCE SOFTWARE, INC.

NAME:	PRINCIPAL OCCUPATION OR EMPLOYMENT:
Christopher Keene	Chief Executive Officer, Director
Derek Henninger	Vice President of Worldwide Field Operations
Brian Tobin	Acting Chief Financial Officer
Vivek Singhal	Vice President of Engineering

\*All individuals listed in the above table are employed by Persistence Software, Inc. ("Persistence"). The address of Persistence's principal place of business is 1720 Amphlett Boulevard, Third Floor, San Mateo, California 94402. With the exception of Mr. Sanjay Vaswani, who is an Indian citizen, each of these individuals is a citizen of the United States.

B. NON-EMPLOYEE MEMBERS OF THE BOARD OF DIRECTORS OF PERSISTENCE SOFTWARE, INC.

NAME:	PRINCIPAL OCCUPATION OR EMPLOYMENT:	NAME AND ADDRESS OF PRINCIPAL EMPLOYER:
Lawrence Owen Brown	Management Consultant	Owen Brown Enterprises, Ltd. 101 Puesta del Sol Los Gatos, CA 95032
Thomas P. Shanahan	Director	Needham Capital Partners 3000 Sand Hill Road Building 2, Suite 190 Menlo Park, CA 94025
James F. Sutter	Management Consultant	Peer Consulting Group 21 Curl Drive Corona del Mar, CA 92625
Sanjay Vaswani	Partner	Center for Corporate Innovation 873 Santa Cruz Ave., Suite 202 Menlo Park, CA 94025

SCHEDULE B

PERSISTENCE SOFTWARE, INC.  
 VOTING AGREEMENTS AND IRREVOCABLE PROXIES  
 THE INFORMATION IN THIS SCHEDULE IS BASED ON INFORMATION  
 PROVIDED BY PERSISTENCE TO PROGRESS

The following is the list of the holders of common stock of Persistence who entered into Voting Agreements and Irrevocable Proxies with Progress on September 26, 2004. The information in this schedule is based upon information provided by Persistence to Progress.

STOCKHOLDER	SHARES OF PERSISTENCE COMMON STOCK BENEFICIALLY OWNED (1)	PERCENTAGE OF PERSISTENCE COMMON STOCK BENEFICIALLY OWNED
Needham Capital Partners (2)	501,380	17.7%
Thomas P. Shanahan (3)	496,380	17.5%
Christopher T. Keene (4)	286,906	10.5%
Derek Henninger (5)	130,708	4.8%
Vivek Singhal (6)	37,215	1.4%
Brian Tobin (7)	4,056	*
Sanjay Vaswani (8)	18,966	*
Lawrence Owen Brown (9)	7,958	*
James Sutter (10)	9,277	*

\* Less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to the securities. All the shares of common stock shown as beneficially owned by the persons named in the table include shares of common stock subject to options that may be exercised within 60 days of September 26, 2004. The calculations are based on 2,718,664 shares outstanding as of September 26, 2004.

(2) Includes 289,176 shares held by Needham Capital Partners III, L.P., 29,694 shares held by Needham Capital Partners IIIA, L.P., immediately exercisable warrants to purchase 92,717 shares held by Needham Capital Partners III, L.P. and immediately exercisable warrants to purchase 9,520 shares held by Needham Capital Partners IIIA, L.P. Needham Capital Management, L.L.C. is the general partner of each of the above private limited partnerships. Also includes 56,998 shares held by Needham Capital Partners III (Bermuda), L.P. and immediately exercisable warrants to purchase 18,275 shares held by Needham Capital Partners III (Bermuda), L.P. Needham Capital Management (Bermuda), L.L.C. is the general partner of such entity. Thomas P. Shanahan, a director of the Company, George A. Needham, John C. Michaelson and John J. Prior are each managing members of Needham Capital Management, L.L.C. and Needham Capital Management (Bermuda), L.L.C., and share voting and dispositive power with respect to the shares held by such entities. Also includes 5,000 shares held by Needham Contrarian Fund, L.P. Mr. George A. Needham is the Managing General Partner of Needham Management Partners, L.P., the general partner of such entity.

- (3) See Note 2. Excludes 5,000 shares held by Needham Contrarian Fund, L.P.
- (4) Includes 258,215 shares held in the name of "Christopher Keene and Yvonne Keene Community Property," and shares held by the following trusts: 9,200 shares held by The Alexander Allan Keene Trust and 9,200 shares held by The Austen Foster Keene Trust. Includes 9,791 shares issuable upon exercise of options that are exercisable on or before November 25, 2004.
- (5) Includes 8,540 shares issuable upon exercise of options that are exercisable on or before November 25, 2004. Also includes shares held by the following trusts, of which Mr. Henninger and Elizabeth W. Henninger share voting and dispositive power as trustees: 105,388 shares held by The Henninger Family Trust, 8,390 shares held by The Henninger Family Irrevocable Trust fbo Grant Larson Henninger U/A/D 04/03/2000 and 8,390 shares held by The Henninger Family Irrevocable Trust fbo Webb Ryan Henninger U/A/D 04/03/2000.
- (6) Includes 34,244 shares issuable upon exercise of options that are exercisable on or before November 25, 2004.
- (7) Includes 3,306 shares issuable upon exercise of options that are exercisable on or before November 25, 2004.
- (8) Includes 18,916 shares issuable upon exercise of options that are exercisable on or before November 25, 2004.
- (9) Consists of 7,958 shares issuable upon exercise of options that are exercisable on or before November 25, 2004.
- (10) Consists of 9,277 shares issuable upon exercise of options that are exercisable on or before November 25, 2004.

## VOTING AGREEMENT

This VOTING AGREEMENT (the "AGREEMENT") is made and entered into as of September 26, 2004, between Progress Software Corporation, a Massachusetts corporation ("PARENT"), and the undersigned shareholder ("SHAREHOLDER") of Persistence Software, Inc., a Delaware corporation (the "COMPANY").

## RECITALS

A. Concurrently with the execution of this Agreement, Parent, the Company and PSI Acquisition Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Parent ("MERGER SUB"), are entering into an Agreement and Plan of Merger (the "MERGER AGREEMENT") which provides for the merger of Merger Sub with and into the Company (the "MERGER"). Pursuant to the Merger, shares of common stock of the Company, par value \$0.001 per share ("COMPANY COMMON STOCK") will be converted into the right to receive cash on the basis described in the Merger Agreement. Capitalized terms used but not defined herein shall have the meanings set forth in the Merger Agreement.

B. Shareholder is the record holder of such number of outstanding shares of Company Common Stock as is indicated on the final page of this Agreement.

C. As a material inducement to enter into the Merger Agreement, Parent desires Shareholder to agree, and Shareholder is willing to agree, to vote the Shares (as defined below), and such other shares of capital stock of the Company over which Shareholder has voting power, so as to facilitate consummation of the Merger.

In consideration of the foregoing and the representations, warranties, covenants and agreements set forth in this Agreement, the parties agree as follows:

1. AGREEMENT TO VOTE SHARES.

1.1 Definitions. For purposes of this Agreement:

(a) Shares. The term "SHARES" shall mean all issued and outstanding shares of Company Common Stock owned of record or beneficially by Shareholder or over which Shareholder exercises voting power, in each case, as of the record date for persons entitled to receive notice of, and to vote at the meeting of the shareholders of the Company called for the purpose of voting on the matters referred to in Section 1.2. Shareholder agrees that any shares of capital stock of the Company that Shareholder purchases or with respect to which Shareholder otherwise acquires beneficial ownership or over which Shareholder exercises voting power after the execution of this Agreement and prior to the termination of this Agreement pursuant to

Section 3 below shall be subject to the terms and conditions of this Agreement to the same extent as if they constituted Shares on the date hereof.

(b) Subject Securities. The term "SUBJECT SECURITIES" shall mean: (i) all securities of the Company (including all shares of Company Common Stock and all options, warrants and other rights to acquire shares of Company Common Stock) beneficially owned by Shareholder as of the date of this Agreement; and (ii) all additional securities of the Company (including all additional shares of Company Common Stock and all additional options, warrants and other rights to acquire shares of Company Common Stock) of which Shareholder acquires ownership after the execution of this Agreement and prior to the termination of this Agreement pursuant to Section 3 below.

(c) Transfer. Shareholder shall be deemed to have effected a "TRANSFER" of a security if Shareholder directly or indirectly: (i) sells, pledges, encumbers, transfers or disposes of, or grants an option with respect to, such security or any interest in such security; or (ii) enters into an agreement or commitment providing for the sale, pledge, encumbrance, transfer or disposition of, or grant of an option with respect to, such security or any interest therein.

1.2 Agreement to Vote Shares. Shareholder hereby covenants and agrees that, during the period commencing on the date hereof and continuing until the Expiration Date (as defined below), at any meeting (whether annual or special and whether or not an adjourned or postponed meeting) of the shareholders of the Company, however called, Shareholder will appear at the meeting or otherwise cause the Shares to be counted as present thereat for purposes of establishing a quorum and vote (or cause to be voted) the Shares:

(1) in favor of the approval and adoption of the Merger Agreement and the approval of the Merger and the other actions contemplated by the Merger Agreement and any actions required in furtherance thereof; and

(2) against approval of any proposal made in opposition to or in competition with the consummation of the Merger, including, without limitation, any Acquisition Proposal or Superior Offer (each as defined in the Merger Agreement) or any action or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of the Company under the Merger Agreement or of Shareholder under this Agreement.

Shareholder further agrees not to enter into any agreement or understanding with any person the effect of which would be inconsistent with or violative of any provision contained in this Section 1.2.

Shareholder may vote on all other matters in a manner determined in Shareholder's sole discretion. This Agreement is intended to bind Shareholder only with respect to the voting of Shares as Shareholder herein, and shall not prohibit Shareholder from acting in accordance with Shareholder's fiduciary duties as an officer or director of Company.

### 1.3 Transfer and Other Restrictions.

(a) Prior to the termination of this Agreement pursuant to Section 3 below, Shareholder agrees not to, directly or indirectly:

(i) except pursuant to the terms of the Merger Agreement, offer for sale, Transfer or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to or consent to the offer for sale, Transfer or other disposition of any or all of the Subject Securities or any interest therein except as provided in Section 1.2 hereof;

(ii) grant any proxy, power of attorney, deposit any of the Subject Securities into a voting trust or enter into a voting agreement or arrangement with respect to the Subject Securities except as provided in this Agreement; or

(iii) take any other action that would make any representation or warranty of Shareholder contained herein untrue or incorrect or have the effect of preventing or disabling Shareholder from performing its obligations under this Agreement.

(b) This Section 1.3 shall not prohibit a Transfer of Subject Securities by Shareholder (A) to any member of Shareholder's immediate family, or to a trust for the benefit of Shareholder or any member of Shareholder's immediate family, or (B) upon the death of Shareholder; provided however, that Shareholder will not effect any such Transfer unless and until the transferee agrees to be bound by and executes an agreement in the form of this Agreement with respect to the Shares to be Transferred. To the extent Shareholder is, as of the date hereof, party to a contract or agreement that requires Shareholder to Transfer Shares to another person or entity (excluding a contract or agreement pledging Shares to the Company), Shareholder will not effect any such Transfer unless and until the transferee agrees to be bound by and executes an agreement in the form of this Agreement with respect to the Shares to be Transferred.

1.4 Irrevocable Proxy. Concurrently with the execution of this Agreement, Shareholder agrees to deliver to Parent a proxy in the form attached hereto as Exhibit I (the "PROXY"), which shall be irrevocable, with respect to the Shares, subject to the other terms of this Agreement.

## 2. REPRESENTATIONS AND WARRANTIES OF SHAREHOLDER.

(a) Shareholder is the record and beneficial owner of, or Shareholder exercises voting power over, the shares of Company Common Stock indicated on the final page of this Agreement, which, on and as of the date hereof, are free and clear of any Encumbrances that would adversely affect the ability of Shareholder to carry out the terms of this Agreement. The number of Shares set forth on the signature pages hereto are the only Shares beneficially owned by such Shareholder and, except as set forth on such signature pages, the Shareholder holds no options or warrants to purchase or rights to subscribe for or otherwise acquire any

securities of the Company and has no other interest in or voting rights with respect to any securities of the Company.

(b) Shareholder has the requisite capacity, power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by Shareholder and the consummation by Shareholder of the transactions contemplated by this Agreement have been duly authorized by all necessary action. This Agreement has been duly executed and delivered by Shareholder and constitutes a valid and binding obligation of Shareholder, enforceable against Shareholder in accordance with its terms, except (i) as the same may be limited by applicable bankruptcy, insolvency, moratorium or similar laws of general application relating to or affecting creditors' rights, and (ii) for the limitations imposed by general principles of equity. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated by this Agreement and compliance with the provisions of this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation which would result in the creation of any Encumbrance (as defined in the Merger Agreement) upon any of the Shares owned by Shareholder under, any provision of applicable law or regulation or of any agreement, judgment, injunction, order, decree, or other instrument binding on Shareholder or any Shares owned by Shareholder. No consent, approval, order or authorization of any Governmental Entity is required by or with respect to Shareholder in connection with the execution and delivery of this Agreement by Shareholder or the consummation by Shareholder of the transactions contemplated by this Agreement, except (i) for applicable requirements, if any, of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, and (ii) where the failure to obtain such consents, approvals, orders or authorizations would not prevent or materially delay the performance by Shareholder of his, her or its obligations under this Agreement. If this Agreement is being executed in a representative or fiduciary capacity, the person signing this Agreement has full power and authority to enter into and perform such Agreement.

3. TERMINATION. This Agreement shall terminate and shall have no further force or effect as of the first to occur of the following (such date, the "EXPIRATION DATE"): (i) such date and time as the Merger shall become effective in accordance with the terms and provisions of the Merger Agreement and (ii) such date and time as the Merger Agreement shall have been validly terminated pursuant to Article 7 thereof.

#### 4. MISCELLANEOUS.

4.1 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, then the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

4.2 Binding Effect and Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but, except as otherwise specifically provided herein, neither

this Agreement nor any of the rights, interests or obligations of the parties hereto may be assigned by either of the parties without the prior written consent of the other. Any purported assignment in violation of this Section shall be void.

4.3 Amendments and Modification. This Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

4.4 Specific Performance; Injunctive Relief; Attorneys Fees. The parties hereto acknowledge that Parent will be irreparably harmed and that there will be no adequate remedy at law for a violation of any of the covenants or agreements of Shareholder set forth herein. Therefore, it is agreed that, in addition to any other remedies that may be available to Parent upon any such violation, Parent shall have the right to enforce such covenants and agreements by specific performance, injunctive relief or by any other means available to Parent at law or in equity and Shareholder hereby irrevocably and unconditionally waives any objection to Parent seeking so to enforce such covenants and agreements by specific performance, injunctive relief and other means. If any action, suit or other proceeding (whether at law, in equity or otherwise) is instituted concerning or arising out of this Agreement or any transaction contemplated hereunder, the prevailing party shall recover, in addition to any other remedy granted to such party therein, all such party's costs and attorneys fees incurred in connection with the prosecution or defense of such action, suit or other proceeding.

4.5 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given upon delivery either personally or by commercial delivery service, or sent via facsimile (receipt confirmed) to the parties at the following address or facsimile numbers (or at such other address or facsimile numbers for a party as shall be specified by like notice):

If to Parent:

Progress Software Corporation  
14 Oak Park  
Bedford, MA 01730  
Facsimile: (781) 280-4304  
Attention: Joseph W. Alsop, Chief Executive  
Officer

with copies to:

Progress Software Corporation  
14 Oak Park  
Bedford, MA 01730  
Facsimile: (781) 280-4035  
Attention: James D. Freedman, Vice  
President and General Counsel

and



Foley Hoag LLP  
Seaport World Trade Center West  
155 Seaport Boulevard  
Boston, Massachusetts 02210  
Facsimile: (617) 832-7000  
Attention: Robert L. Birnbaum, Esq. and  
William R. Kolb, Esq.

If to Shareholder, to the address for notice set forth on the last page hereof.

with a copy to:

Heller Ehrman - Venture Law Group  
2775 Sand Hill Road  
Menlo Park, California 94205  
Facsimile: (650) 854-4488  
Attention: Laurel H. Finch, Esq.

Any party hereto may by notice so given provide and change its address for future notices hereunder.

4.6 Governing Law; Submission to Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of law thereof. The parties hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the courts of the United States of America located in Boston, Massachusetts for any actions, suits or proceedings arising out of or relating to this Agreement (and the parties agree not to commence any action, suit or proceeding relating thereto except in such courts), and further agree that service of any process, summons, notice or document by U.S. certified mail shall be effective service of process for any action, suit or proceeding brought against the parties in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement, in the courts of the United States of America located in Boston, Massachusetts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

4.7 Entire Agreement. The Merger Agreement, this Agreement and the Proxy granted hereunder constitute and contain the entire agreement and understanding of the parties with respect to the subject matter hereof and supersede any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties respecting the subject matter hereof.

4.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.9 Captions. The captions to sections of this Agreement have been inserted only for identification and reference purposes and shall not be used to construe or interpret this Agreement.

\* \* \* \* \*

IN WITNESS WHEREOF, the parties hereto have caused this Voting Agreement to be executed as of the date first above written.

PROGRESS SOFTWARE CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

SHAREHOLDER:

(Shareholder Name)

Shareholder's Address for Notice:

\_\_\_\_\_

Attention:

Outstanding Shares of Company Common  
Stock Beneficially Owned by  
Shareholder:

\_\_\_\_\_

Options, Warrants or Rights to  
purchase Company Common Stock  
Beneficially Owned by Shareholder:

\_\_\_\_\_

## IRREVOCABLE PROXY

The undersigned stockholder (the "SHAREHOLDER") of Persistence Software, Inc., a Delaware corporation (the "COMPANY"), hereby irrevocably appoints and constitutes the members of the Board of Directors of Progress Software Corporation ("PARENT") and each such Board member (collectively, the "PROXYHOLDERS"), the agents, attorneys-in-fact and proxies of the undersigned, with full power of substitution and resubstitution, to the full extent of the undersigned's rights with respect to the shares of capital stock of the Company which are listed below (the "SHARES"), and any and all other shares or securities issued or issuable in respect thereof on or after the date hereof and prior to the date this proxy terminates, to vote the Shares as follows: the Proxyholders named above are empowered at any time prior to termination of this proxy to exercise all voting and other rights (including, without limitation, the power to execute and deliver written consents with respect to the Shares) of the undersigned at every annual, special or adjourned meeting of the Company stockholders, and in every written consent in lieu of such a meeting, or otherwise, (i) in favor of adoption and approval of the Agreement and Plan of Merger (the "MERGER AGREEMENT") among Parent, PSI Acquisition Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Parent ("MERGER SUB") and the Company, and the approval of the merger of Merger Sub with and into the Company (the "MERGER") and the other actions contemplated by the Merger Agreement and any actions required in furtherance thereof, and (ii) against approval of any proposal made in opposition to or in competition with consummation of the Merger, including, without limitation, any Acquisition Proposal or Superior Offer (each as defined in the Merger Agreement) or any action or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of the Company under the Merger Agreement or of the Shareholder under that certain Voting Agreement, dated as of September 26, 2004, by and between Parent and the Shareholder (the "VOTING AGREEMENT").

The Proxyholders may not exercise this proxy on any other matter. The Shareholder may vote the Shares on all matters other than those set forth in the immediately preceding paragraph. The proxy granted by the Shareholder to the Proxyholders hereby is granted as of the date of this Irrevocable Proxy in order to secure the obligations of the Shareholder set forth in Section 1 of the Voting Agreement, and is irrevocable and coupled with an interest in such obligations and in the interests in the Company to be purchased and sold pursuant to the Merger Agreement.

This proxy will terminate upon the termination of the Voting Agreement in accordance with its terms. Upon the execution hereof, all prior proxies given by the undersigned with respect to the Shares and any and all other shares or securities issued or issuable in respect thereof on or after the date hereof are hereby revoked and no subsequent proxies will be given until such time as this proxy shall be terminated in accordance with its terms. Any obligation of the undersigned hereunder shall be binding upon the successors and assigns of the undersigned. The undersigned Shareholder authorizes the Proxyholders to file this proxy and any substitution or revocation of substitution with the Secretary of the Company and with any Inspector of Elections at any meeting of the shareholders of the Company.

This proxy is irrevocable and shall survive the insolvency, incapacity, death or liquidation of the undersigned. Dated: September 26, 2004.

\_\_\_\_\_  
Signature

Name (and Title)

Shares of Company Common Stock beneficially owned:  
\_\_\_\_\_