



**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**SCHEDULE TO**  
(Rule 14d-100)  
**Tender Offer Statement under Section 14(d)(1) or 13(e)(1)**  
**of the Securities Exchange Act of 1934**

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**Neon Systems, Inc.**  
(Name of Subject Company (Issuer))

**Noble Acquisition Corp.**  
(Offeror)

a wholly-owned first tier subsidiary of  
**Progress Software Corporation**  
(Parent of Offeror)  
(Names of Filing Persons)

**Common Stock, Par Value \$0.01 Per Share**  
(Title of Class of Securities)

**640509105**  
(CUSIP Number of Class of Securities)

**Joseph W. Alsop**  
**Progress Software Corporation**  
**14 Oak Park**  
**Bedford, Massachusetts 01730**  
**(781) 280-4000**  
(Name, address, and telephone numbers of person authorized  
to receive notices and communications on behalf of filing persons)

with copies to:  
**William R. Kolb, Esquire**  
**Foley Hoag LLP**  
**155 Seaport Boulevard**  
**Boston, Massachusetts 02210**

**Calculation of Filing Fee**

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**Transaction valuation**  
Not Applicable\*

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**Amount of filing fee**  
Not Applicable\*

\* A filing fee is not required in connection with this filing as it relates solely to preliminary communications made before the commencement of a tender offer.

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

Amount Previously Paid: Not Applicable

Form or Registration No.: Not Applicable

Filing Party: Not Applicable

Date Filed: Not Applicable

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

third-party tender offer subject to Rule 14d-1.

issuer tender offer subject to Rule 13e-4.

going-private transaction subject to [Rule 13e-3](#).

amendment to Schedule 13D under [Rule 13d-2](#)

Check the following box if the filing is a final amendment reporting the results of the tender offer.

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<u>Exhibit No.</u>	<u>Description</u>
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99.2	Norman R. Robertson, Senior Vice President, Finance and Administration and Chief Financial Officer of Progress Software Corporation, script for conference call on December 20, 2005
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99.4	Progress Software Corporation Frequently Asked Questions dated December 20, 2005

**Progress Software Corporation to Acquire NEON Systems Creating Unparalleled Data Connectivity Leader**

BEDFORD, Mass. & SUGAR LAND, Texas, Dec 20, 2005 (BUSINESS WIRE) — Merger with DataDirect Operating Unit to Extend Data Connectivity Leadership and Enable Mainframe Integration for Service-Oriented Architecture (SOA) and Real-Time Event Stream Processing (ESP)

Progress Software Corporation (Nasdaq:PRGS), a global supplier of application infrastructure software used to develop, deploy, integrate and manage business applications, and NEON Systems, Inc. (Nasdaq: NEON), a leader in mainframe integration, today jointly announced they have signed a definitive agreement under which a wholly owned subsidiary of Progress will make a \$6.20 per share cash tender offer for all outstanding shares of NEON common stock. The transaction is valued at approximately \$68 million in the aggregate. The tender offer price represents a premium of approximately 46 percent for NEON's stockholders based on the 30-day trailing average share price of NEON on the Nasdaq National Market for the period ending on December 19, 2005. Following the purchase of shares in the tender offer, the subsidiary of Progress and NEON will merge. Owners of NEON shares not purchased in the tender offer will be entitled to receive \$6.20 per share in cash in the merger. Upon the closing of the transaction, NEON will become part of DataDirect Technologies, the software industry leader in standards-based data connectivity and an operating unit of Progress Software Corporation.

DataDirect has long been the industry leader in standards-based data connectivity, with products covering all major relational databases, operating systems, and data access standards. Hundreds of independent software vendors and thousands of corporate IT departments worldwide rely on DataDirect for production proven database drivers, which deliver the reliability, security, and performance needed for the most demanding software systems. The technology is backed by award-winning technical support and the industry's most comprehensive test suite.

NEON is a leading independent vendor of standards-based software to access data and applications stored on mainframes, where many large companies run some of their most critical business applications. NEON products support SQL access through ODBC and JDBC and also enable web services integration with mainframes for service-oriented architectures and real-time event processing. NEON's customer base includes some of the world's most well known commercial and government entities, who depend on its products for mainframe integration for their mission critical systems.

The combination of the two companies will offer customers an unparalleled range of data access products and technologies. Together the two companies will offer standards-based access to mainframe data sources such as DB2, IMS/DB VSAM, Adabas, CICS/TS, IMS/TM, CA-IDMS, and Natural along with relational databases such as Oracle, DB2, SQL Server, Sybase, Informix, and Progress OpenEdge. Moreover, the acquisition will bring together the industry's top data connectivity developers and leading technical experts, paving the way for even more innovation in the future. As part of DataDirect, NEON will remain a visionary and a leader in the mainframe integration market.

The NEON acquisition will extend Progress' ability to deliver data connectivity, web services for Service-Oriented Architectures (SOA), and real-time event stream processing. Progress' Sonic Software and Real Time operating units can now make the mainframe an equal participant in any SOA deployment. NEON's Shadow RTE product enables standards-based mainframe integration support of web services for SOA and real-time events for Event-Driven Architecture (EDA).

"Our customers and prospects have long asked for a single enterprise-wide data connectivity vendor that can cover all platforms including the mainframe," said Rick Reidy, president of DataDirect. "This acquisition lets us meet all of our customers' data access requirements — regardless of their environment and where their data sits. And by acquiring the industry leader in mainframe access, we will continue our tradition of providing our customers with the very highest quality data connectivity products available anywhere."

"DataDirect's rich product set, comprehensive understanding of standards based data connectivity, and extensive market reach will be a tremendous benefit to NEON customers," said Mark Cresswell, chief executive officer of NEON. "In addition, our web services and event streaming products will be of great value

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to the many Progress customers currently deploying service-oriented and event-driven architectures utilizing mainframe data.”

Conference Call/WebCast at 9:00 AM ET Today

Progress will discuss this acquisition during its previously scheduled conference call to discuss fourth quarter results on Tuesday, December 20, 2005 at 9:00 a.m. Eastern Standard Time.

This call is being Webcast by CCBN and can be accessed at the Progress Website ([www.progress.com/investors](http://www.progress.com/investors)). The call will also be Webcast live via Yahoo ([www.yahoo.com](http://www.yahoo.com)), Motley Fool ([www.fool.com](http://www.fool.com)), Streetevents ([www.streetevents.com](http://www.streetevents.com)), TD Waterhouse ([www.tdwaterhouse.com](http://www.tdwaterhouse.com)) and Fidelity.com ([www.fidelity.com](http://www.fidelity.com)). An archived version of the conference call and supporting materials will be available on the Progress Website after the live conference call.

#### Transaction Terms

The acquisition will be accomplished by a cash tender offer at \$6.20 per share for all of NEON’s outstanding common stock, which is expected to be commenced on or before December 30, 2005 by Noble Acquisition Corp., a wholly owned subsidiary of Progress, followed by a cash merger in which any outstanding shares not tendered will be acquired by Noble Acquisition Corp. for \$6.20 per share.

The agreement has been unanimously approved by the boards of directors of Progress and NEON. The board of directors of NEON has received an opinion from Jefferies Broadview that \$6.20 per share is fair, from a financial point of view, to the holders of NEON common stock.

The tender offer is expected to be consummated in the first calendar quarter of 2006, unless extended. If at least 90% of NEON’s then-outstanding common stock is tendered, the merger will close immediately thereafter. Consummation of the tender offer is subject to customary conditions, including the tender of a majority of the shares of common stock of NEON, termination or expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and other customary conditions. The tender offer is not conditioned on financing. The holders of approximately 44% of NEON’s outstanding common stock, including all directors and executive officers of NEON, have agreed to tender their shares in the tender offer.

#### Notice to Investors

The tender offer for the outstanding shares of NEON Systems, Inc. has not yet commenced. This announcement is not a recommendation, an offer to purchase or a solicitation of an offer to sell shares of NEON. At the time the offer is commenced, Noble Acquisition Corp. will file a tender offer statement (including an offer to purchase, a related letter of transmittal and other offer documents) with the Securities and Exchange Commission, and NEON will file a solicitation and recommendation statement with respect to the offer. When these materials become available, NEON security holders should read them carefully because they will contain important information about the tender offer. Progress and NEON will make these materials available to NEON security holders at no cost to them. In addition, all of these materials, as well as any other offer documents filed with the Securities and Exchange Commission, will be available for free on the Securities and Exchange Commission’s Website at [www.sec.gov](http://www.sec.gov).

#### About NEON

NEON Systems, Inc. (Nasdaq:NEON) — the Mainframe Integration Experts — is a leading provider of enterprise-class mainframe integration solutions, delivering the industry’s first Mainframe Services Bus (MSB) for seamless interoperability with distributed systems: Shadow RTE, which is the only unified mainframe integration platform to support the entire range of requirements for Service-Oriented Architectures (SOA) and Event-Driven Architectures (EDA) — key requirements to underpin the Real-time Enterprise. NEON’s Shadow technology is designed to reduce the complexity of mainframe integration allowing large organizations with significant commitment to mainframe systems to streamline incumbent technologies and lower total cost of ownership. NEON’s Shadow z/Services and Shadow z/Events offerings attack the emerging mainframe Web services and real-time mainframe event-driven markets and are unique in their depth and breadth of support for the requirements of such markets. With extensive mainframe



integration expertise, NEON is uniquely qualified to solve the complexities of supporting new business initiatives that must integrate with critical mainframe systems. For more information on Powering the Real-time Enterprise, visit [www.neonsys.com](http://www.neonsys.com).

#### About Progress Software Corporation

Progress Software Corporation (Nasdaq:PRGS) is a global industry leader providing application infrastructure software for all aspects of the development, deployment, integration and management of business applications through its operating units: Progress OpenEdge Division, Sonic Software, DataDirect Technologies, and Progress Real Time Division. Headquartered in Bedford, Mass., Progress can be reached at [www.progress.com](http://www.progress.com) or +1-781-280-4000.

#### About DataDirect Technologies

DataDirect Technologies is focused on data access, enabling software developers at both packaged software vendors and in corporate IT departments to create better applications faster. DataDirect Technologies offers the most comprehensive, proven line of data connectivity components available anywhere. Developers worldwide depend on DataDirect(R) products to connect their applications to an unparalleled range of data sources using standards-based interfaces such as ODBC, JDBC and ADO.NET, as well as cutting-edge XML query technologies. More than 250 leading independent software vendors and thousands of enterprises rely on DataDirect Technologies to simplify and streamline data connectivity. DataDirect Technologies is an operating company of Progress Software Corporation (Nasdaq:PRGS). For more information, visit [www.datadirect.com](http://www.datadirect.com).

#### Safe Harbor Language

Except for the historical information and discussions contained herein, statements contained in this release about Progress, NEON and the acquisition may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the timing of the consummation of the tender offer and merger, the expected benefits of the acquisition to Progress and customers of the combined company, integration plans, and the effect of the acquisition on the financial condition and results of operations of the combined company. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including but not limited to the following: uncertainties as to the timing of the tender offer and merger, the uncertainty as to how many NEON stockholders will tender their shares, the risk that competing offers will be made, the possibility that other closing conditions to the tender offer or merger may not be satisfied, the risk that Progress may encounter unanticipated difficulties or delays in integrating the business and products of NEON with its own, the risk that important customers, suppliers, business partners or key executives of NEON might terminate their business relationships with NEON, which could detract from the expected benefits of the acquisition, an unexpected increase in costs related to the acquisition, the receipt and shipment of new orders for the combined company, the timely release of enhancements to the combined company's products, the growth rates of certain market segments, the positioning of the combined company's products in those market segments, variations in the demand for customer service and technical support from the combined company, pricing pressures and the competitive environment in the software industry, business and consumer use of the Internet, and the combined company's ability to penetrate international markets and manage its international operations. Progress and NEON disclaim any intent or obligation to update publicly any forward-looking statements whether in response to new information, future events or otherwise. For further information regarding risks and uncertainties associated with Progress and NEON and information concerning the acquisition, please refer to Progress's and NEON's filings with the Securities and Exchange Commission, including Progress's and NEON's annual reports on Form 10-K for the fiscal years ending 2004 and subsequently filed reports.

DataDirect is a registered trademark of Progress Software Corporation, or one of its affiliates or subsidiaries, in the U.S. and other countries. Shadow RTE is a trademark of NEON Systems, Inc., in the U.S. and other countries. Any other trademarks or service marks contained herein are the property of their respective owners.

SOURCE: Progress Software Corporation and NEON Systems, Inc.

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**Q4 2005 Conference Call (12/20/05 9:00 a.m.)**

[Conference call started at 9:xx a.m. Initial remarks ended at 9:xx a.m. Call ended at 9:xx a.m. xxx non-PSC participants.]

Good Morning. This is Bud Robertson, Senior Vice President of Finance and Administration and Chief Financial Officer of Progress Software Corporation. Joining me today are Joe Alsop, co-founder and CEO of Progress Software Corporation, Dave Ireland, President of OpenEdge Division, Greg O'Connor, President of Sonic Software and Peter Sliwowski, President of Real Time Division. Rick Reidy, President of DataDirect Technologies, is joining us from Houston, Texas, along with Mark Creswell, CEO of NEON Systems.

We will first review financial results for the fourth quarter and full year for fiscal 2005 and then discuss our just announced agreement to acquire NEON Systems.

We have prepared a slide presentation to view during this call. The slide presentation can be found on the Investors & Press section of the Progress web site by clicking on the "Live Webcast" Icon. Also, a reconciliation of our pro forma results to our GAAP results is included in our earnings release on our website.

The matters we will be discussing today, other than historical financial information, consist of forward-looking statements that involve certain risks and uncertainties. Statements indicating that the Company "expects," "estimates," "believes," "is planning" or "plans to" are forward-looking, as are other statements concerning future financial results, product offerings or other events that have not yet occurred. There are several important risk factors which could cause actual results or events to differ materially from those anticipated by the forward-looking statements contained in our discussion today. Information on these risk factors is included in the Company's Securities and Exchange Commission reports, including the report on Form 10-Q for the quarter ended August 31, 2005. The Company reserves the right to change its budget, product focus, product release dates, plans and financial projections from time to time as circumstances warrant. The Company shall have no obligation to update or modify the information contained in our discussion in the future when such changes occur.

We reported this morning the following results for our fourth fiscal quarter of 2005, which are reflected in the first few slides of the on-line presentation:

- Revenue for the quarter increased 12% from \$96.2 million in Q4 of fiscal 2004 to a record \$108.0 million.

On a GAAP basis, we reported the following:

- Operating income for the quarter increased 21% from \$15.9 million in Q4 of fiscal 2004 to \$19.2 million.

- Net income increased 29% from \$10.9 million in Q4 of fiscal 2004 to \$14.0 million.
- And diluted earnings per share increased 18% from 28 cents in Q4 of fiscal 2004 to 33 cents this quarter.
- The above results include an after-tax charge for amortization of acquired intangibles of \$1.7 million for Q4 of fiscal 2005 and \$1.3 million for Q4 of fiscal 2004. The fourth quarter of fiscal 2005 also includes an after-tax charge of \$0.4 million for certain other acquisition-related expenses and an after-tax charge of \$0.1 million for stock-based compensation.

On a pro forma basis, which excludes the effect of amortization of acquired intangibles, other acquisition-related expenses and stock-based compensation, we reported the following:

- Pro forma operating income for the quarter increased 27% from \$17.7 million in Q4 of fiscal 2004 to \$22.6 million.
- Pro forma net income increased 34% from \$12.1 million in Q4 of fiscal 2004 to \$16.3 million.
- And pro forma diluted earnings per share increased 23% from 31 cents in Q4 of fiscal 2004 to 38 cents this quarter.

For the fiscal year ended November 30<sup>th</sup>, we reported the following results:

- Revenue increased 12% from \$363 million in fiscal 2004 to a record \$405 million.

On a GAAP basis, we reported the following:

- Operating income increased 38% from \$46.4 million in fiscal 2004 to \$63.8 million.
- Net income increased 52% from \$32.1 million in fiscal 2004 to \$48.9 million.
- And diluted earnings per share increased 44% from 82 cents in fiscal 2004 to \$1.18.
- The above results for fiscal 2004 include after-tax charges of \$4.8 million for amortization of acquired intangibles and an after-tax charge of \$1.8 million for certain other acquisition-related expenses.
- The above results for fiscal 2005 include an after-tax charge for amortization of acquired intangibles of \$6.3 million, an after-tax charge of \$2.3 million for certain other acquisition-related expenses, an after-tax charge of \$1.9 million for compensation expense associated with the repurchase from employees of stock in subsidiary and an after-tax charge of \$0.1 million for stock-based compensation. In addition, fiscal 2005 includes a tax benefit of \$3.8 million.

On a pro forma basis, which excludes the effect of amortization of acquired intangibles, other acquisition-related expenses, stock-based compensation and the tax benefit, we reported the following:

- Pro forma operating income increased 42% from \$56.0 million in fiscal 2004 to \$79.5 million.
- Pro forma net income increased 44% from \$38.7 million in fiscal 2004 to \$55.8 million.
- And pro forma diluted earnings per share increased 35% from 99 cents in fiscal 2004 to \$1.34.

This morning we announced an agreement to acquire, via a tender offer, NEON Systems, Inc. for \$6.20 per share. The transaction is valued at approximately \$68 million in the aggregate, or \$51 million, net of cash acquired. We will combine NEON into our DataDirect Technologies group upon completion of the acquisition. Rick Reidy will further discuss the acquisition at the end of the financial review.

In reviewing fiscal 2005 financial results, within the total revenue increase of 12% over the fourth quarter of last year, software license revenue was up 20%, maintenance revenue increased 7% and professional services revenue increased 12%. For the full fiscal year, software license revenue increased by 12%, maintenance revenue increased 12% and professional services revenue increased by 9%.

In considering the impact of changes in foreign exchange rates on our results for the fourth quarter and all of fiscal 2005, total revenue in the fourth quarter of fiscal 2005 would have increased by approximately 13% on a constant currency basis versus the 12% increase reported. For the full fiscal year, total revenue would have increased by approximately 10% on a constant currency basis versus the 12% increase reported.

As noted on slides 10 and 11, international business was 56% of the quarterly total as compared to 58% in Q4 of fiscal 2004. For the full fiscal year, international business was 57% of the annual total as compared to 58% in fiscal 2004.

Revenue from the Progress OpenEdge product line increased 3% from \$76.8 million in Q4 of fiscal 2004 to \$79.4 million in Q4 of fiscal 2005 and represented 74% of total revenue this quarter as compared to 80% of total revenue in Q4 of fiscal 2004. For the full fiscal year, revenue from the Progress OpenEdge product line increased 6% from \$289.7 million in fiscal 2004 to \$308.2 million in fiscal 2005 and represented 76% of total revenue this fiscal year as compared to 80% of total revenue in fiscal 2004.

Revenue from the DataDirect product line increased 26% from \$7.9 million in Q4 of fiscal 2004 to \$10.0 million this quarter. For the full fiscal year, revenue from the DataDirect product line increased 26% from \$28.2 million in fiscal 2004 to \$35.7 million in fiscal 2005.

Revenue from the Progress Real Time product line increased 89% from \$4.6 million in Q4 of fiscal 2004 to \$8.7 million this quarter. For the full fiscal year, revenue from the Real Time product line increased 56% from \$18.6 million in fiscal 2004 to \$28.9 million in fiscal 2005.

Revenue from the Sonic product line increased 43% from \$6.9 million in Q4 of fiscal 2004 to \$9.9 million this quarter. For the full fiscal year, revenue from the Sonic product line increased 24% from \$26.2 million in fiscal 2004 to \$32.5 million in fiscal 2005.

The balance in our business between serving professional application developers within corporations and partners, including Application Partners or APs and OEMs, was within our historical ratios. Partners accounted for 61% of PSC license business in Q4 and sales to direct accounts represented 39%. In Q4 of fiscal 2004, partners accounted for 55% of PSC license business. Within the Progress OpenEdge product line, partners accounted for 68% of our license business in Q4 as compared to 61% in Q4 of fiscal 2004. For the full fiscal year, partners accounted for 61% of PSC license business as compared to 60% in fiscal 2004. Within the Progress OpenEdge product line, partners accounted for 69% of our license business for the full fiscal year as compared to 66% in fiscal 2004.

Our effective tax rate for the fourth quarter and full fiscal year, excluding the tax benefit, was 33% as compared to 32% for the corresponding periods of fiscal 2004.

Quarter-end headcount of 1,593 represented an increase of 3% from one year ago.

Looking at slide 14 highlighting balance sheet information, our cash balance was approximately \$266 million at the end of the quarter. Our accounts receivable days sales outstanding or DSO was 56 at the end of Q4, down 3 days from one year ago.

During the fourth quarter, we purchased approximately 81,000 shares of our stock at a cost of \$2.4 million. At the end of the fourth quarter, there were approximately 9.9 million shares available for repurchase under our Board authorized share repurchase program that expires on September 30, 2006. A summary of our share buybacks is reflected in slide 15.

In looking to the first quarter and full fiscal year for 2006, we are providing the following guidance which includes the impact of the just announced NEON acquisition:

1. For fiscal 2006, we expect revenue to be in the range of \$435 million to \$445 million. Software license revenue is expected to be in the range of \$170 million to \$180 million.
2. We expect the Progress OpenEdge product line to be in the range of \$308 million to \$315 million, representing an increase of between approximately 0% and 2%.
3. We expect the DataDirect product line, including approximately \$15 million revenue from NEON, to be in the range of \$54 million to \$58 million, representing an increase of between approximately 50% and 60%.

4. At the beginning of December, we combined the sales and marketing organizations of Sonic Software and Real Time in order to increase the potential for cross-product sales opportunities. We will be reporting product line revenue for Sonic and Real Time together this coming year. We expect revenue from the Sonic and Real Time product line to be in the range of \$70 million to \$75 million, representing an increase of between approximately 15% and 25%.
5. We expect GAAP operating income to be between \$51 million and \$54 million, including charges of approximately \$14 million for amortization of acquired intangibles, approximately \$1 million for certain other acquisition-related expenses and approximately \$22 million for stock-based compensation as we will be adopting FAS123(R), which requires expensing of stock options, in the first quarter of fiscal 2006. The amount for amortization of intangibles and acquisition-related expenses could vary depending on the timing of the completion of the tender offer for NEON and the final purchase price allocation.
6. We expect pro forma operating income, which excludes amortization of acquired intangibles, certain other acquisition-related expenses and stock-based compensation, to be between \$88 million and \$91 million.
7. We estimate that nonoperating income will be around \$1 million for each quarter of fiscal 2006, although this may vary widely depending on interest rates, potential stock repurchases, fluctuations in foreign exchange rates and our cash balances.
8. We expect our effective tax rate to be around 33%.
9. We are utilizing a euro exchange rate of 1.20 in preparing this guidance. This compares to an average rate of 1.26 for the euro in fiscal 2005. The year-over-year impact from changes in exchange rates is estimated to result in a reduction of approximately \$8 to \$9 million of revenue for fiscal 2006 as compared to what would result if exchange rates were constant with fiscal 2005.
10. Estimating future weighted average share counts for earnings per share depends on future option activity, future share repurchases, share prices and other factors. For now, we think using a share count of around 43 million for each quarter of fiscal 2006 for diluted earnings per share seems reasonable.
11. We expect diluted earnings per share, on a GAAP basis, to be in the range of 85 cents to 91 cents. On a pro forma basis, which excludes a total charge of approximately 60 cents per share for amortization of acquired intangibles, certain other acquisition-related expenses and stock-based compensation, we expect pro forma diluted earnings per share to be in the range of \$1.45 to \$1.51.

12. For the first quarter of fiscal 2006, we expect revenue to be between \$103 million and \$105 million, with software license revenue between \$41 million and \$43 million. We expect diluted earnings per share, on a GAAP basis, to be in the range of 15 cents to 17 cents. On a pro forma basis, which excludes a total charge of 14 cents per share for amortization of acquired intangibles, certain other acquisition-related expenses and stock-based compensation, we expect pro forma diluted earnings per share to be in the range of 29 cents to 31 cents.

This expectation is built on the continued success of our partners, continued improvement in our ability to generate new business in end user accounts, continued strong performance from our new product lines, especially the Sonic and Real Time product line and DataDirect product line, and no further significant strengthening of the US dollar against currencies from which we derive a significant portion of our business. This expectation also assumes that the tender offer for NEON closes in late January.

As we have advised, these and a number of additional factors may affect future results, including the timing of the completion of the acquisition of NEON and actual results may differ materially. Consequently, there can be no assurance that we will achieve results consistent with these comments.

We plan on releasing our first quarter results on Tuesday, March 21st, and holding the usual conference call that morning at 9 a.m.

This conference call will be recorded in its entirety and be available on our website at [www.progress.com](http://www.progress.com) under the Investor & Press section.

Before I turn the call over to Rick Reidy who will provide an overview of our agreement to acquire NEON, I'd like to again summarize the key financial terms of the transaction. Afterwards we will open up the call to your questions.

We have signed a definitive agreement under which Progress will make a \$6.20 per share cash tender offer for all outstanding shares of NEON common stock. The transaction is valued at approximately \$68 million in the aggregate or \$51 million, net of cash acquired. The tender offer price represents a premium of approximately 46 percent for NEON's stockholders based on the 30-day trailing average share price of NEON on the Nasdaq National Market for the period ending on December 19, 2005.

With that, I'll turn it over to Rick Reidy, President of DataDirect.

Rick: Thanks Bud. I'm very happy to be here this morning in Sugar Land, TX, with Mark Cresswell, CEO of NEON, the company we've just announced our agreement to acquire. This acquisition is full of synergies and benefits for the customers of both companies. Before I get into that, let me remind you of what we do at DataDirect and tell you a little about NEON.



DataDirect has long been the market leader in standards-based data connectivity, with products covering all major databases, operating systems (with the exception of mainframes), and data access standards. Hundreds of independent software vendors and thousands of corporate IT departments worldwide rely on DataDirect for production proven database drivers, which deliver the reliability, security, and performance needed for the most demanding software systems. The technology is backed by award-winning technical support and the industry's most comprehensive test suite.

NEON is a leading independent vendor of standards-based software to access data and applications stored on mainframes, where many large companies run some of their most critical business applications. NEON products support SQL access through ODBC and JDBC, and also enable web services integration with mainframe data and applications for service oriented architectures and real-time event processing.

Many large corporations run their most critical business systems on mainframes; however easy access to mainframe data remains a significant challenge. Our acquisition addresses this problem by joining the connectivity expertise of DataDirect with the mainframe expertise of NEON. Together, the newly expanded DataDirect will be able to offer standards-based data connectivity for ODBC, JDBC, and ADO.NET across all platforms, data sources, and standards using one set of APIs.

The acquisition also brings NEON's outstanding web services and events technology to DataDirect. According to Gartner, NEON is a leader and the most visionary company in its Programmatic Integration Server market (which it defines as software that enables a light weight approach to providing a service-oriented architecture on top of legacy applications). DataDirect intends to continue NEON's focus on service-oriented architectures and extend its abilities in this space through Progress' greater reach.

The combined company will be the industry's only comprehensive source for data access technologies across all platforms, standards, and data sources. Customers can now turn to one vendor, DataDirect, for the highest quality data connectivity to mainframe data sources such as DB2, IMS/DB VSAM, Adabas, CICS/TS, IMS/TM, CA-IDMS, and Natural, as well as relational databases such as Oracle, DB2, Microsoft SQL Server, Sybase, Informix, and Progress OpenEdge.

Mark and I look forward to your questions about the transaction. Now let me turn the call back over to Bud.

Bud: Thank you Rick. Now I'd like to open up the call to investor questions. We'll first take questions from the analysts that publish research on Progress Software and then questions from anyone on the call.

#### Conclusion

This concludes today's conference call. Thank you for participating.

To: NEON Systems and Progress Software Worldwide

From: Rick Reidy – President DataDirect Technologies  
Mark Cresswell – CEO NEON Systems

Date: 20 December 2005

Subject: Progress Software to Acquire NEON Systems

This morning we announced that NEON Systems (Nasdaq: NEON), the leading independent supplier of mainframe integration software, and Progress Software Corporation (Nasdaq: PRGS), a global supplier of application infrastructure software have signed a definitive agreement under which Progress will make a \$6.20 per share cash tender offer for all outstanding shares of NEON common stock. It is anticipated that the acquisition will close by early February at which point NEON will become part of DataDirect Technologies, the leader in standards-based data connectivity and a Progress operating unit. The press release announcing the acquisition is included below.

Over the next few days, employees of both NEON and DataDirect will receive additional information regarding the future of NEON as part of Progress and DataDirect. However, for the benefit of all employees of our combined organization, the following provides details of the rationale behind this acquisition and presents an overview of each organization.

### **NEON Overview**

NEON employs about 90 people and is headquartered in Sugar Land, Texas – a suburb of Houston. It has regional offices in Miami, FL and Quebec City, Canada, and has an overseas office in Windsor, UK – directly opposite the famous castle. NEON was founded in 1991 and sold its first product, a high-performance ODBC interface for DB2 at the end of 1994. Since that time it has added support for more databases and more access methods. According to industry analysts at Gartner and Forrester Research, NEON now reigns as the visionary leader in the provision of enterprise-class mainframe integration products.

NEON's flagship product, Shadow RTE, enables virtually all standards-based models for integration with mainframe environments through a single product architecture. The Shadow RTE suite comprises products that support SQL access, Web Services access, and event driven integration for the most popular mainframe application and data environments implemented in a single, unified runtime. In addition to its renowned integration functionality, Shadow RTE is rich with features designed to support the quality of service needs of mainframe users. These features include a broad spectrum from security extensions to transactional support to systems management. During the customer analysis portion of our due diligence, it became clear that NEON's customers have enormous respect for the company's understanding and sensitivity to the needs of mainframe users.

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Mainframe integration is an important consideration within the enterprise software market as, even today, greater than 60% of the world's system-of-record data resides on mainframes. Over 450 of the top Fortune 500 depend on mainframes for their transaction processing applications, which handle business transactions worth billions of dollars each day. However, most new applications are being built on more modern platforms such as J2EE and .NET and Progress OpenEdge. For these new applications to access system-of-record data, they must seamlessly integrate with mainframes.

### **Progress Software Corporation Overview**

Founded in 1981, Progress Software Corporation comprises the OpenEdge Division, Sonic Software Corporation, DataDirect Technologies, EasyAsk Division, and the Progress Real Time Division. Progress provides industry-leading technologies for all aspects of application development, deployment, integration and management. Progress has revenues of approximately \$400 million, employs over 1,500 people around the world, and has been profitable since 1985.

With the expertise of more than 2,000 application partners, who develop and deploy business solutions with Progress technology, the OpenEdge Division and its partners supply more than \$5 billion annually in Progress technology, Progress-based applications, and related services. Progress customers span more than 50,000 organizations in more than 120 countries including 70 percent of the Fortune 100. Reliability, flexibility, scalability and low cost of ownership have raised the Progress RDBMS to its position today as the world's leading embedded database.

DataDirect Technologies focuses on standards-based data connectivity, enabling software developers to quickly develop and deploy business applications across all major databases and platforms. DataDirect Technologies offers the most comprehensive, field-proven portfolio of data connectivity components available today. Developers at more than 250 leading independent software vendors worldwide and many thousands of corporate IT departments rely on DataDirect products to connect their applications to a broad range of data sources using standards-based interfaces such as ODBC, JDBC and ADO.NET. Developers also depend on DataDirect to radically simplify complex data integration projects using XML products based on the emerging XQuery and XQJ standards.

Progress Real Time Division is a global provider of products that enable the real-time enterprise. They deliver technologies that monitor and analyze real-time event stream data and accelerate the performance of existing applications. Their leading object database helps companies manage complex data, moreover their data-caching, replication products support occasionally connected users that require real-time access to enterprise applications.

Sonic Software is the inventor and leading provider of the enterprise service bus (ESB), the standards-based foundation for building a Service Oriented Architecture (SOA). Sonic Software provided the first comprehensive business integration suite built on an ESB. Sonic Software products provide a reliable, cost-effective distributed infrastructure that integrates applications and orchestrates business processes across an extended enterprise. Sonic Software currently enables over 700 customers to integrate their organizations from the department to the extended enterprise with their SOA.

EasyAsk is the leading provider of natural language question/answer solutions that empower non-technical users to quickly find and retrieve critical business information. Moreover, EasyAsk provides a sophisticated search, navigation and merchandising platform that optimizes the shopping experience on many of the world's most successful eCommerce sites.

### **The Compelling Rationale Behind this Acquisition**

The addition of NEON's technology to the Progress stable allows the world's largest organizations to deploy any of Progress's products with their primary system-of-record platform in the most efficient and cost-effective way available.

NEON will be merged into the DataDirect operating unit. The combined division will create the unparalleled leader in enterprise data connectivity offering a single vendor choice to meet all data access requirements for customers worldwide. The majority of NEON's 500 customers use its products to support ODBC and JDBC access to mainframe relational and non-relational data sources. DataDirect's expertise in client interfaces will help NEON customers by delivering support for data access standards, such as JDBC Type 4 and ADO.NET. This will further extend NEON's lead in SQL access to the mainframe. In addition, DataDirect will introduce NEON products to its OEM channel to accelerate time-to-market. Consequently, the inclusion of NEON into the DataDirect unit makes tremendous sense and will provide great value to customers.

SQL access to mainframe resources is only one aspect of mainframe integration. NEON technology also includes best-of-breed products that support web services integration with mainframe applications and event streaming technology for event driven integration with mainframes. These tools will provide DataDirect's corporate customers with the ultimate flexibility in solving their mainframe data access issues.

In addition, by embedding technology from the combined NEON/DataDirect division, the Sonic Software and Real Time divisions will be able to improve their support of mainframe environments and therefore compete more effectively. As a result of the research process we undertook to determine the most appropriate acquisition partner for mainframe integration, it was the range of NEON integration options that made it our clear first choice. The emphasis NEON placed on the entire range of mainframe access solutions, including SQL access, web services, and event based integration will continue after the transaction is completed; moreover, the additional resources available within Progress will augment this focus and reduce time-to-market.

A unique feature of the NEON product portfolio is that its entire functionality is delivered within a single, integrated software stack. Features are controlled by means of a license code and administered through a single integrated Eclipse-based management tool. Regardless of which NEON product a customer licenses, the entire stack is installed. This model removes traditional barriers to mainframe software evaluation and makes it easy for customers to pilot additional features and generate new sales opportunities.

Perhaps equally important is its product set and customer relationships, NEON employees possess the industry's most complete skill set and deepest experience in mainframe integration. These individuals will be available to help across the company, where practical knowledge of mainframe integration scenarios is required, to help in competitive sales cycles. Most importantly, the two organizations share a passion for developing high-quality software based on clear customer demand. Both NEON and DataDirect are technically oriented with a strong focus on engineering. This cultural compatibility and the many values our companies share will help make the acquisition an unqualified success.

NEON's existing customer base includes some of the world's most well-known commercial and government entities. Significantly, these entities have many mission-critical applications deployed using NEON's products. Like DataDirect, NEON takes customer satisfaction very seriously and its customer survey results reflect this focus. In over 500 customer surveys undertaken during the past 12 months, NEON's average score across 10 quantitative questions has been over 4.5 out of 5. The combination of DataDirect and NEON will result in an entity that is uniquely qualified to work with the world's largest corporations to meet all of their data access requirements.

You will be hearing more over the next few weeks about our plans to bring NEON into the Progress and DataDirect family and many of you will be asked to participate in this planning.

In the meantime, please feel free to direct any questions or concerns to either Rick Reidy ([rick@progress.com](mailto:rick@progress.com) or +1-781-280-4256), or Mark Cresswell ([mark.cresswell@neonsys.com](mailto:mark.cresswell@neonsys.com) or + 1-281-684-8250).

#### **Additional Information**

The tender offer contemplated by the Merger Agreement by and among NEON Systems, Inc., Progress Software Corporation and Noble Acquisition Corp. entered into as of December 19, 2005 has not yet commenced, and this announcement is not an offer, a solicitation or a recommendation with respect to such tender offer. We urge investors and security holders to read the following documents, when they become available, regarding the Merger Agreement and the contemplated tender offer, because they will contain important information:

- Progress' Tender Offer Statement on Schedule TO, including the Offer to Purchase, Letter of Transmittal and Notice of Guaranteed Delivery; and
- NEON Systems Solicitation/Recommendation Statement on Schedule 14D-9.

These documents and amendments to these documents will be filed with the United States Securities and Exchange Commission when the tender offer commences. When these and other documents are filed with the SEC, they may be obtained free at the SEC's web site at <http://www.sec.gov>. Free copies of each of these documents (when available) can also be obtained from the information agent for the offer, which will be announced.

**PROGRESS SOFTWARE CORPORATION TO ACQUIRE NEON SYSTEMS  
CREATING UNPARALLELED DATA CONNECTIVITY LEADER**

Merger with DataDirect Operating Unit to Extend Data Connectivity Leadership and Enable Mainframe  
Integration for Service-Oriented Architecture (SOA) and Real-Time Event Stream Processing

**Bedford, Massachusetts and Sugar Land, Texas—December 20<sup>th</sup>, 2005—** Progress Software Corporation (Nasdaq: PRGS), a global supplier of application infrastructure software used to develop, deploy, integrate and manage business applications, and NEON Systems, Inc. (Nasdaq: NEON), a leader in mainframe integration, today jointly announced they have signed a definitive agreement under which a wholly owned subsidiary of Progress will make a \$6.20 per share cash tender offer for all outstanding shares of NEON common stock. The transaction is valued at approximately \$68 million in the aggregate. The tender offer price represents a premium of approximately 46 percent for NEON's stockholders based on the 30-day trailing average share price of NEON on the Nasdaq National Market for the period ending on December 19, 2005. Following the purchase of shares in the tender offer, the subsidiary of Progress and NEON will merge. Owners of NEON shares not purchased in the tender offer will be entitled to receive \$6.20 per share in cash in the merger. Upon the closing of the transaction, NEON will become part of DataDirect Technologies, the software industry leader in standards-based data connectivity and an operating unit of Progress Software Corporation.

DataDirect has long been the industry leader in standards-based data connectivity, with products covering all major relational databases, operating systems, and data access standards. Hundreds of independent software vendors and thousands of corporate IT departments worldwide rely on DataDirect for production proven database drivers, which deliver the reliability, security, and performance needed for the most demanding software systems. The technology is backed by award-winning technical support and the industry's most comprehensive test suite.

NEON is a leading independent vendor of standards-based software to access data and applications stored on mainframes, where many large companies run some of their most critical business applications. NEON products support SQL access through ODBC and JDBC and also enable web services integration with mainframes for service oriented architectures and real-time event processing. NEON's customer base includes some of the world's most well known commercial and government entities, who depend on its products for mainframe integration for their mission critical systems.

The combination of the two companies will offer customers an unparalleled range of data access products and technologies. Together the two companies will offer standards-based access to mainframe data sources such as DB2, IMS/DB VSAM, Adabas, CICS/TS, IMS/TM, CA-IDMS, and Natural along with relational databases such as Oracle, DB2, SQL Server, Sybase, Informix, and Progress OpenEdge. Moreover, the acquisition will bring together the industry's top data connectivity developers and leading technical experts, paving the way for even more innovation

in the future. As part of DataDirect, NEON will remain a visionary and a leader in the mainframe integration market.

The NEON acquisition will extend Progress' ability to deliver data connectivity, web services for Service-Oriented Architectures (SOA), and real-time event stream processing. Progress' Sonic Software and Real Time operating units can now make the mainframe an equal participant in any SOA deployment. NEON's Shadow RTE product enables standards-based mainframe integration support of web services for SOA and real-time events for Event-Driven Architecture (EDA).

"Our customers and prospects have long asked for a single enterprise-wide data connectivity vendor that can cover all platforms including the mainframe," said Rick Reidy, President of DataDirect. "This acquisition lets us meet all of our customers' data access requirements – regardless of their environment and where their data sits. And by acquiring the industry leader in mainframe access, we will continue our tradition of providing our customers with the very highest quality data connectivity products available anywhere."

"DataDirect's rich product set, comprehensive understanding of standards based data connectivity, and extensive market reach will be a tremendous benefit to NEON customers," said Mark Cresswell, Chief Executive Officer of NEON. "In addition, our web services and event streaming products will be of great value to the many Progress customers currently deploying service oriented and event driven architectures utilizing mainframe data."

#### **Conference Call/WebCast at 9:00 AM ET Today**

Progress will discuss this acquisition during its previously scheduled conference call to discuss fourth quarter results on Tuesday, December 20<sup>th</sup>, 2005 at 9:00 a.m. Eastern Standard Time.

This call is being Webcast by CCBN and can be accessed at the Progress Website ([www.progress.com/investors](http://www.progress.com/investors)). The call will also be Webcast live via Yahoo ([www.yahoo.com](http://www.yahoo.com)), Motley Fool ([www.fool.com](http://www.fool.com)), Streetevents ([www.streetevents.com](http://www.streetevents.com)), TD Waterhouse ([www.tdwaterhouse.com](http://www.tdwaterhouse.com)) and Fidelity.com ([www.fidelity.com](http://www.fidelity.com)). An archived version of the conference call and supporting materials will be available on the Progress Website after the live conference call.

#### **Transaction Terms**

The acquisition will be accomplished by a cash tender offer at \$6.20 per share for all of NEON's outstanding common stock, which is expected to be commenced on or before December 30, 2005 by Noble Acquisition Corp., a wholly owned subsidiary of Progress, followed by a cash merger in which any outstanding shares not tendered will be acquired by Noble Acquisition Corp. for \$6.20 per share.

The agreement has been unanimously approved by the boards of directors of Progress and NEON. The board of directors of NEON has received an opinion from Jefferies Broadview that \$6.20 per share is fair, from a financial point of view, to the holders of NEON common stock.

The tender offer is expected to be consummated in the first calendar quarter of 2006, unless extended. If at least 90% of NEON's then-outstanding common stock is tendered, the merger will close immediately thereafter. Consummation of the tender offer is subject to customary conditions, including the tender of a majority of the shares of common stock of NEON, termination or expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and other customary conditions. The tender offer is not conditioned on financing. The holders of approximately 44% of NEON's outstanding common stock, including all directors and executive officers of NEON, have agreed to tender their shares in the tender offer.

#### **Notice to Investors**

**The tender offer for the outstanding shares of NEON Systems, Inc. has not yet commenced. This announcement is not a recommendation, an offer to purchase or a solicitation of an offer to sell shares of NEON. At the time the offer is commenced, Noble Acquisition Corp. will file a tender offer statement (including an offer to purchase, a related letter of transmittal and other offer documents) with the Securities and Exchange Commission, and NEON will file a solicitation and recommendation statement with respect to the offer. When these materials become available, NEON security holders should read them carefully because they will contain important information about the tender offer. Progress and NEON will make these materials available to NEON security holders at no cost to them. In addition, all of these materials, as well as any other offer documents filed with the Securities and Exchange Commission, will be available for free on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).**

#### **About NEON**

NEON Systems, Inc. (Nasdaq: NEON) — the Mainframe Integration Experts — is a leading provider of enterprise-class mainframe integration solutions, delivering the industry's first Mainframe Services Bus (MSB) for seamless interoperability with distributed systems: Shadow RTE, which is the only unified mainframe integration platform to support the entire range of requirements for Service-Oriented Architectures (SOA) and Event-Driven Architectures (EDA) — key requirements to underpin the Real-time Enterprise. NEON's Shadow technology is designed to reduce the complexity of mainframe integration allowing large organizations with significant commitment to mainframe systems to streamline incumbent technologies and lower total cost of ownership. NEON's Shadow z/Services and Shadow z/Events offerings attack the emerging mainframe Web services and real-time mainframe event-driven markets and are unique in their depth and breadth of support for the requirements of such markets. With extensive mainframe integration expertise, NEON is uniquely qualified to solve the complexities of supporting new business initiatives that must integrate with critical mainframe systems. For more information on Powering the Real-time Enterprise, visit [www.neonsys.com](http://www.neonsys.com).



## **About Progress Software Corporation**

Progress Software Corporation (Nasdaq: PRGS) is a global industry leader providing application infrastructure software for all aspects of the development, deployment, integration and management of business applications through its operating units: Progress OpenEdge Division, Sonic Software, DataDirect Technologies, and Progress Real Time Division. Headquartered in Bedford, Mass., Progress can be reached at [www.progress.com](http://www.progress.com) or +1-781-280-4000.

## **About DataDirect Technologies**

DataDirect Technologies is focused on data access, enabling software developers at both packaged software vendors and in corporate IT departments to create better applications faster. DataDirect Technologies offers the most comprehensive, proven line of data connectivity components available anywhere. Developers worldwide depend on DataDirect® products to connect their applications to an unparalleled range of data sources using standards-based interfaces such as ODBC, JDBC and ADO.NET, as well as cutting-edge XML query technologies. More than 250 leading independent software vendors and thousands of enterprises rely on DataDirect Technologies to simplify and streamline data connectivity. DataDirect Technologies is an operating company of Progress Software Corporation (Nasdaq: PRGS). For more information, visit [www.datadirect.com](http://www.datadirect.com).

## **Safe Harbor Language**

Except for the historical information and discussions contained herein, statements contained in this release about Progress, NEON and the acquisition may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the timing of the consummation of the tender offer and merger, the expected benefits of the acquisition to Progress and customers of the combined company, integration plans, and the effect of the acquisition on the financial condition and results of operations of the combined company. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including but not limited to the following: uncertainties as to the timing of the tender offer and merger, the uncertainty as to how many NEON stockholders will tender their shares, the risk that competing offers will be made, the possibility that other closing conditions to the tender offer or merger may not be satisfied, the risk that Progress may encounter unanticipated difficulties or delays in integrating the business and products of NEON with its own, the risk that important customers, suppliers, business partners or key executives of NEON might terminate their business relationships with NEON, which could detract from the expected benefits of the acquisition, an unexpected increase in costs related to the acquisition, the receipt and shipment of new orders for the combined company, the timely release of enhancements to the combined company’s products, the growth rates of certain market segments, the positioning of the combined company’s products in those market segments, variations in the demand for customer service and technical support from the combined company, pricing pressures and the competitive environment in the software industry, business and consumer use of the Internet, and the combined company’s ability to penetrate international markets and manage its international operations. Progress and NEON disclaim any intent or obligation to update publicly any forward-

looking statements whether in response to new information, future events or otherwise. For further information regarding risks and uncertainties associated with Progress and NEON and information concerning the acquisition, please refer to Progress's and NEON's filings with the Securities and Exchange Commission, including Progress's and NEON's annual reports on Form 10-K for the fiscal years ending 2004 and subsequently filed reports.

*DataDirect is a registered trademark of Progress Software Corporation, or one of its affiliates or subsidiaries, in the U.S. and other countries. Shadow RTE is a trademark of NEON Systems, Inc., in the U.S. and other countries. Any other trademarks or service marks contained herein are the property of their respective owners.*

**Progress Software Corporation to Acquire NEON Systems Creating Unparalleled Data Connectivity Leader**

Merger with DataDirect Operating Unit To Extend Data Connectivity Leadership, To Enable Mainframe Integration for Service-Oriented Architectures (SOA) and Real-Time Event Stream Processing

**General Acquisition FAQs****Why is Progress Software Corporation acquiring NEON?**

The DataDirect operating unit of Progress Software is the clear market leader for standards-based data connectivity. Its products work across all major relational databases and platforms except mainframes. NEON is the leading independent company providing access to mainframe data and applications through a variety of methods and standards. This acquisition will offer customers a single, comprehensive source for data connectivity products.

The NEON acquisition will extend Progress' ability to deliver data connectivity, web services for Service-Oriented Architectures (SOA), and real-time event stream processing. Progress's Sonic Software and Real Time operating units can now make the mainframe an equal participant in any SOA deployment. NEON's Shadow RTE product enables standards-based mainframe integration support of web services for SOA and real-time events processing.

**What is the vision for DataDirect with NEON?**

The combination of DataDirect and NEON establishes DataDirect as the unparalleled leader in data connectivity.

**Will the new entity have its own name or keep its current name?**

NEON will be merged totally into the DataDirect operating unit of Progress, and therefore will adopt the DataDirect name.

**Who is NEON?**

NEON is a leading independent vendor of standards-based software for access to data and applications stored on mainframes, where many large companies run some of their most critical business applications. NEON products support SQL access through ODBC and JDBC and also enable web services integration with mainframe data and applications for service oriented architectures and real-time event processing.

NEON was founded in 1991 and has been publicly traded since 1999. They have about 90 employees and reported revenue of just over \$20M for the past twelve months. The company's headquarters is in Sugar Land (Houston), TX and they have other offices in Miami, FL, Quebec, Canada, and Windsor, UK.

**What does the combination of DataDirect and NEON bring to the market?**

The combination of DataDirect and NEON creates an unparalleled leader in data connectivity and mainframe integration software and services.

- DataDirect has long been the leader in standards-based data access such as ODBC, JDBC, and ADO.NET.
- NEON is the only independent vendor providing comprehensive mainframe data access.
- The combination offers customers a single vendor for all data access needs and creates the industry's only comprehensive data connectivity vendor.
- The NEON acquisition brings together the industry's top data connectivity talent, technology, partners and customers.

DataDirect, together with NEON, can now address all facets of mainframe integration, specifically, data-level access, SOA and Web services, real-time Events and Transactional Integration, and Presentation Integration for Screen-based applications.

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**Will any NEON or DataDirect employees have to relocate? Will any office locations be changed?**

There are no current plans to relocate any employee nor close or relocate any offices.

**Will there be any layoffs associated with the transaction?**

Progress is acquiring NEON for its people and technology. After the transaction closes, both companies will assess if any functions can be made more efficient without disrupting the normal business operations.

**What are the specific product and business synergies?**

DataDirect customers will now be able to use industry standard interfaces such as ODBC, JDBC and ADO.NET and web services to access mainframe data sources and mainframe processes.

NEON customers will now have a single source for data connectivity to mainframe data sources as well as all major relational databases such as Oracle, DB2, SQL Server, Sybase, Informix, and Progress.

The mainframe can now be a full participant in SOA deployments, benefiting both Sonic and Real Time customers.

**What are the financial details behind the acquisition?**

With the announcement of the transaction, a wholly-owned subsidiary of Progress is initiating a \$6.20 per share cash tender offer for all of NEON's shares outstanding. The transaction is valued at \$68 million in aggregate. The closing date of the acquisition is dependent upon the results of the tender offer.

PSC anticipates first year revenue related to the acquisition to be in the range of \$15 million.

**What is the impact on NEON's customers, distributors, and partners?**

NEON's nearly 500 customers include prominent names such as Morgan Stanley, Merrill Lynch, Wells Fargo, and Boeing. As part of the announcement activities, we are contacting those customers — as well as prospects currently part of the sales pipeline — to explain the acquisition and its underlying strategy. We are confident that NEON customers and prospects will benefit significantly with the incorporation of NEON into an organization that has the size and financial stability of Progress.

As part of DataDirect, NEON will continue to offer its customers the same great mainframe data access products that they have come to expect with significant enhancement over time. In addition, NEON customers will have a single source for all their data connectivity requirements — regardless of platform, operating environments, or data source.

**How do current NEON customers continue to purchase NEON products?**

The ability to purchase NEON products will not be affected. Current and or potential customers can purchase products directly from existing sales representatives and channels.

**Where do NEON customers go for product support?**

The support process has not changed. Customers can continue to contact NEON through the same channels they already use.

**Does this acquisition affect existing NEON contracts?**

Not at all. Contracts for existing NEON customers will be honored by Progress Software Corporation.

**How does this acquisition affect current NEON partnerships?**

We expect that NEON partners will view the acquisition positively.

All existing partners, distributors and resellers will be contacted over the coming days to answer and questions and explain how this acquisition can benefit them.

**What type of company would typically be interested in NEON products?**

Large corporations worldwide who use mainframes to run business critical applications and need to access mainframe data and applications from non-mainframe systems.

### **What is the impact on DataDirect customers?**

This acquisition extends DataDirect's reach to the mainframe — providing customers with a single vendor for all of their data connectivity requirements.

DataDirect customers will soon be able to use industry standard interfaces such as ODBC, JDBC, ADO.NET and web services to access mainframe data sources such as DB2, IMS/DB, VSAM, Adabas, CICS/TS, IMS/TM, CA-IDMS, and Natural.

### **What product plans exist for the NEON portfolio?**

DataDirect will continue to offer and enhance NEON's product offerings.

### **What are the NEON products?**

Shadow RTE enables standards-based mainframe integration support of Web services for Service-Oriented Architecture (SOA), real-time events for Event-Driven Architecture (EDA), SQL for direct data access and transactional support, as well as automatic presentation layer generation for extending screen-based applications to the Web.

Shadow RTE provides a robust technical architecture to support the broad range of business requirements for mainframe integration. As a framework upon which organizations can integrate mission critical mainframe resources into a Real-Time Enterprise, Shadow RTE provides support for the following NEON offerings:

- Shadow z/Services — mainframe Web services
- Shadow z/Events — real-time events
- Shadow z/Direct — direct data/program access
- Shadow z/Components — Java and .NET components
- Shadow z/Presentation — Web-enablement of mainframe assets

### **What do the NEON products add to the Sonic Software portfolio?**

The mission critical nature of mainframe systems makes NEON and its Shadow RTE product portfolio a critical piece of IT infrastructure for modern services-oriented architecture (SOA) deployments. By acquiring NEON, Progress' Sonic Software can now make the mainframe an equal participant in SOA deployments.

Sonic Software's customers will now be able to tie-in mainframe systems to their SOA deployments through NEON's z/Services and z/Events products.

### **What do the NEON products add to the Real Time portfolio?**

The mission critical nature of mainframe systems makes NEON and its Shadow RTE product portfolio a critical piece of IT infrastructure for modern services-oriented architecture deployments. By acquiring NEON, Progress' Real Time customers can now use NEON's z/Events products to add mainframe events to their deployments.

### **Additional Information**

The tender offer contemplated by the Merger Agreement by and among NEON Systems, Inc., Progress Software Corporation and Noble Acquisition Corp. entered into as of December 19, 2005 has not yet commenced, and this announcement is not an offer, a solicitation or a recommendation with respect to such tender offer. We urge investors and security holders to read the following documents, when they become available, regarding the Merger Agreement and the contemplated tender offer, because they will contain important information:

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