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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 1, 2019

Progress Software Corporation
(Exact name of registrant as specified in its charter)

Commission file number: 0-19417

Delaware	**04-2746201**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**

14 Oak Park
Bedford, Massachusetts 01730
(Address of principal executive offices, including zip code)

(781) 280-4000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.01 Completion of Acquisition or Disposition of Assets

On May 1, 2019, Progress Software Corporation ("Progress") filed a Current Report on Form 8-K (the "Initial 8-K") to report the completion of its acquisition of all of the outstanding equity interests of Ipswitch, Inc. ("Ipswitch") from Roger Greene (the "Seller") pursuant to that certain Stock Purchase Agreement, dated as of March 28, 2019, by and among Progress, Ipswitch and the Seller. This amendment to the Initial 8-K is being filed by Progress for the purpose of including the financial information described in Item 9.01 below that was previously omitted in accordance with Item 9.01(a) and Item 9.01(b) of Form 8-K.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

The audited consolidated financial statements of Ipswitch as of December 31, 2018 for the year then ended are filed as Exhibit 99.2 hereto and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The following unaudited pro forma combined condensed consolidated financial statements of Progress, reflecting the acquisition of Ipswitch, are filed as Exhibit 99.3 and are incorporated herein by reference:

i. Unaudited Pro Forma Condensed Consolidated Statement of Income for the year ended November 30, 2018;
ii. Unaudited Pro Forma Condensed Consolidated Statement of Income for the three months ended February 28, 2019.

(c) Exhibits.

Exhibit No.	Description
23.1	Consent of Moody, Famiglietti & Andronico, LLP, Independent Auditors.
99.1	Press Release, dated May 1, 2019 (incorporated by reference to Exhibit 99.1 to Progress Software Corporation's Current Report on Form 8-K filed on May 1, 2019).
99.2	Audited consolidated financial statements of Ipswitch, Inc., as of December 31, 2018 for the year then ended.
99.3	Unaudited pro forma combined condensed consolidated financial statements of Progress Software Corporation, reflecting the acquisition of Ipswitch, Inc.

SIGNATURES

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

Date:	July 16, 2019		Progress Software Corporation	
			By:	/s/ STEPHEN H. FABERMAN
				Stephen H. Faberman
				Chief Legal Officer

EXHIBIT INDEX

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Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements of Progress Software Corporation (Form S-8 Nos. 33-50654, 33-96320, 333-41403, 333-80571, 333-98035, 333-101239, 333-122962, 333-146233 and 333-150555 and Form S-3 No. 333-133724) of our report dated March 14, 2019, except for Note 13, as to which the date is July 16, 2019, with respect to the consolidated financial statements of Ipswitch, Inc. and Subsidiaries, as of and for the year ended December 31, 2018, included in this Current Report on Form 8-K/A (File No. 0-19417).

/s/ Moody, Famiglietti & Andronico, LLP
Tewksbury, Massachusetts
July 16, 2019

M | F | A

COMPANIES

IPSWITCH, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Engineering Growth for More Than 30 Years

Business Consulting | Financial Advisory | Strategic Intelligence

To the Board of Directors
Ipswitch, Inc. and Subsidiaries
Burlington, Massachusetts

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of Ipswitch, Inc. and Subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ipswitch, Inc. and Subsidiaries as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Moody, Famiglietti & Andronico, LLP

Moody, Famiglietti & Andronico, LLP
Tewksbury, Massachusetts
March 14, 2019, except for Note 13, as to which the date is July 16, 2019

December 31		2018
Assets		
Current Assets:		
Cash	$	25,161,991
Accounts Receivable, Net of Allowance for Doubtful Accounts of $250,000		12,472,814
Prepaid Expenses and Other Current Assets		2,125,076
Total Current Assets		39,759,881
Property and Equipment, Net of Accumulated Depreciation		5,079,774
Deposits and Other Assets		330,013
Goodwill		14,396,963
Intangible Assets, Net of Accumulated Amortization		153,675
Deferred State and Foreign Income Taxes		269,000
Total Assets	$	59,989,306
Liabilities and Stockholder's Equity		
Current Liabilities:		
Accounts Payable	$	606,674
Accrued Expenses		1,947,728
Accrued Compensation		5,512,831
Current Portion of Deferred Revenue		35,126,075
Total Current Liabilities		43,193,308
Deferred Revenue, Net of Current Portion		7,621,776
Deferred Compensation		71,967
Other Long-Term Liabilities		15,339
Total Liabilities		50,902,390
Stockholder's Equity:		
Class A Voting Common Stock: No Par Value; 4,000,000 Shares Authorized; 3,400,000 Shares Issued and Outstanding		1,168,475
Class B Nonvoting Common Stock: No Par Value; 40,000,000 Shares Authorized; 30,600,000 Shares Issued and Outstanding		1,388,320
Additional Paid-In Capital		2,105,582
Retained Earnings		4,620,770
Accumulated Other Comprehensive Loss		(196,231)
Total Stockholder's Equity		9,086,916
Total Liabilities and Stockholder's Equity	$	59,989,306

The accompanying notes are an integral part of these consolidated financial statements.

For the Year Ended December 31	**2018**
Revenue	$ 76,088,848
Cost of Revenue	9,820,029
Gross Profit	66,268,819
Operating Expenses:	
Selling and Marketing	18,931,894
General and Administrative	17,526,430
Research and Development	12,491,175
Product Management	993,506
Total Operating Expenses	49,943,005
Income from Operations	16,325,814
Other Expense:	
Loss on Foreign Currency Exchange	(102,262)
Interest Expense	(3)
Total Other Expense	(102,265)
Income Before Provision for State and Foreign Income Taxes	16,223,549
Provision for State and Foreign Income Taxes	494,000
Net Income	$ 15,729,549

The accompanying notes are an integral part of these consolidated financial statements.

For the Year Ended December 31	2018
Net Income	$ 15,729,549
Other Comprehensive Income:	
Foreign Currency Translation Adjustments	26,631
Comprehensive Income	$ 15,756,180

The accompanying notes are an integral part of these consolidated financial statements.

	Class A Voting Common Stock		Class B Nonvoting Common Stock				Accumulated	
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Total Stockhol Equit
Balance as of December 31, 2017	3,400,000	$ 1,168,475	30,600,000	$ 1,388,320	$ -	$ (5,634,864)	$ (222,862)	$ (3,300
Distributions to Stockholder	-	-	-	-	-	(5,473,915)	-	(5,473
Stock-Based Compensation	-	-	-	-	2,105,582	-	-	2,105
Net Income	-	-	-	-	-	15,729,549	-	15,729
Other Comprehensive Income	-	-	-	-	-	-	26,631	26
Balance as of December 31, 2018	3,400,000	$ 1,168,475	30,600,000	$ 1,388,320	$ 2,105,582	$ 4,620,770	$ (196,231)	$ 9,086

The accompanying notes are an integral part of these consolidated financial statements.

For the Year Ended December 31		2018
Cash Flows from Operating Activities:		
Net Income	$	15,729,549
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		2,513,621
Provision for Bad Debt		45,169
Deferred State and Foreign Income Taxes		51,000
Stock-Based Compensation		2,105,582
Decrease in Accounts Receivable		279,865
Increase in Prepaid Expenses and Other Current Assets		(8,290)
Decrease in Accounts Payable		(1,175,420)
Decrease in Accrued Expenses		(243,020)
Increase in Accrued Compensation		299,605
Decrease in Accrued Severance		(1,308,001)
Decrease in Current Portion of Deferred Revenue		(267,210)
Decrease in Deferred Compensation		(4,868,252)
Net Cash Provided by Operating Activities		13,154,198
Cash Flows from Investing Activities:		
Acquisition of Property and Equipment		(372,198)
Decrease in Deposits and Other Assets		240,754
Net Cash Used in Investing Activities		(131,444)
Net Cash Used in Financing Activities:		
Distributions to Stockholders		(5,473,915)
Effect of Foreign Currency Exchange Rate Changes on Cash		26,631
Net Increase in Cash		7,575,470
Cash, Beginning of Year		17,586,521
Cash, End of Year	$	25,161,991

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Significant Accounting Policies:

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Ipswitch, Inc. (the Parent), and its wholly-owned subsidiaries: Ipswitch B.V. (BV); Ipswitch Japan K.K. (KK); iOpus Software, GmbH (GmbH); iOpus Software, Sweden (SWE); Ipswitch Ireland Limited (IRE); and Ipswitch Singapore PTE LTD (SGD) (collectively, the Subsidiaries). The Parent and the Subsidiaries are collectively referred to as the "Company." All significant intercompany balances and transactions have been eliminated in consolidation.

Reporting Entity: The Parent was incorporated on September 12, 1991 as a Massachusetts corporation. The Parent's principal business activity is the development and marketing of software products for use in corporate networks to customers worldwide. BV, KK, GmbH, SWE, IRE and SGD were organized in the Netherlands, Japan, Germany, Sweden, Ireland and Singapore on February 13, 2001; May 15, 2007; July 24, 2000; October 31, 2012; June 8, 2016; and March 21, 2017, respectively, and have sales offices targeting customers located throughout Europe and Asia, as well as research and development offices.

Foreign Currency Reporting: The financial statements of BV, SWE, IRE and SGD are remeasured into U.S. dollars. The remeasurement is based on the determination that the U.S. dollar is the functional currency. Monetary assets and liabilities of BV's, SWE's, IRE's, and SGD's foreign operations are remeasured into U.S. dollars at year-end exchange rates, and nonmonetary assets, liabilities and equity accounts are remeasured using historical exchange rates. Income statement accounts are remeasured at the weighted average exchange rate prevailing during the year. Exchange gains and losses resulting from differences in exchange rates are reflected in other income (expense) in the accompanying consolidated statement of income.

The financial statements of KK and GmbH are translated into U.S. dollars based on the determination that the local currency is the functional currency. All assets and liabilities of KK's and GmbH's foreign operations are translated into U.S. dollars at year-end exchange rates. Equity accounts are translated at historical exchange rates. Income statement accounts are translated at the weighted average exchange rate prevailing during the year. Translation adjustments resulting from differences in exchange rates are reflected as a component of other comprehensive income (loss).

Foreign currency gains and losses resulting from transactions denominated in foreign currencies, including intercompany transactions, are reflected in other (expense) income in the accompanying consolidated statement of income.

Revenue Recognition: The Company generates revenue from the sale of software products, professional services and post-contract customer support (PCS) services through direct sales, resellers, and distributors. PCS includes telephone support and rights to upgrades and enhancements on a when-and-if available basis. Revenue is recognized upon delivery or as services are performed, provided persuasive evidence of an agreement exists, the fee is fixed or determinable and collectability is probable.

The Company's arrangements may contain multiple elements, such as software products, professional services and PCS. The Company uses the residual method when vendor-specific objective evidence of fair value does not exist for one of the delivered elements in the arrangement. Under the residual method, the fair value of the undelivered elements is deferred and subsequently recognized. The Company has established sufficient vendor specific objective evidence for PCS services and professional services based on the price charged when these elements are sold separately. Accordingly, in arrangements in which software is licensed with PCS services and/or professional services, software license revenue and professional services are recognized upon delivery of the product or service and revenue from PCS services are recognized ratably over the term of the PCS contract period, which is typically one year.

Revenue from perpetual licenses that require the purchase of PCS services in order for the customer to maintain a valid license are recognized ratably over the term of the initial PCS agreement.

Advance payments are recorded as deferred revenue until the products are shipped, services are delivered or obligations are met.

Generally, the Company's arrangements with end-user customers and resellers do not include any acceptance provisions. In those cases in which significant uncertainties exist with respect to customer acceptance, or in which specific customer acceptance

1. **Organization and Significant Accounting Policies (Continued):**

criteria are included within the arrangement, the Company defers the entire arrangement fee and recognizes revenue, assuming all other conditions for revenue recognition have been satisfied, when the uncertainty regarding acceptance is resolved as generally evidenced by written acceptance or payment by the customer, as appropriate.

The Company defers income on sales to distributors for amounts received in connection with certain distributor agreements. Under the terms of the agreements, sales of software licenses to distributors are subject to rights of return, and thus are not recognized in the accompanying consolidated statement of income until such time as the distributor sells the software licenses to the end user. Unused licenses may be returned by the distributors to the Company for a full refund. During the year ended December 31, 2018, deferred income on sales to distributors amounted to $66,144, which is included in accrued expenses in the accompanying consolidated balance sheet.

Fair Value Measurements: The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash: The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits.

Accounts Receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible based upon management's assessment of the collectability of accounts receivable, which considers historical write-off experience and any specific risks identified in customer collection matters. Bad debts are written off against the allowance when identified. As of December 31, 2018, the allowance for doubtful accounts amounted to approximately $250,000.

Concentrations of Credit Risk: Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and accounts receivable. The Company maintains its cash with high-credit quality financial institutions. The Company believes it is not exposed to any significant losses due to credit risk on cash. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company performs ongoing credit evaluations of its customers and generally requires no collateral to secure accounts receivable. The Company maintains an allowance for potentially uncollectible accounts receivable. Consequently, the Company believes that its exposure to losses due to credit risk on net accounts receivable is limited.

1. Organization and Significant Accounting Policies (Continued):

Property and Equipment: Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Computer Software	3 Years
Leasehold Improvements	Lesser of Useful Life or Life of Lease
Computer Equipment	3 Years
Furniture and Fixtures	7 Years

Software Development Costs: Software development costs for external-use software are expensed as incurred until the point the Company establishes technological feasibility. Technological feasibility is established upon the completion of a working model or a detailed program design. Costs incurred by the Company between establishment of technological feasibility and the point at which the product is ready for general release are capitalized, subject to their recoverability, and amortized over the economic life of the related product. As of December 31, 2018, the Company has not capitalized any external-use software development costs, as such costs have been deemed immaterial to the consolidated financial statements.

Goodwill and Indefinite-Lived Intangible Assets: Goodwill represents the excess of cost over fair value of net assets of businesses acquired. The values assigned to goodwill and indefinite lived intangible assets are not amortized to expense, but rather they are evaluated at least on an annual basis to determine if there are potential impairments. With respect to goodwill, the Company follows accounting standards which allow the Company the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. This step serves as the basis for determining whether it is necessary to perform the two-step goodwill impairment test. If the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying value, then it will perform the two-step test. The two-step test first compares the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, no impairment exists, and the second step is not performed. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded as part of the second step of the test, to the extent that the implied fair value of the reporting unit goodwill is less than its carrying value. With respect to indefinite-lived intangible assets, an impairment loss is recognized if the fair value of the indefinite-lived intangible asset is less than its carrying amount.

As of December 31, 2018, the Company performed a qualitative analysis of goodwill and indefinite-lived intangible assets, in which management concluded that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount.

Definite-Lived Intangible Assets: Intangible assets consist of software technology, customer lists, brands, tradenames and websites, and noncompete agreements. The Company accounts for amortization using the straight-line method over the related assets' estimated useful lives, as follows:

Software Technology	3 - 10 Years
Customer Lists	5 - 10 Years
Brands, Tradenames, and Websites	5 - 10 Years
Noncompete Agreements	4 - 5 Years

Impairment of Long-Lived Assets: It is required that long-lived assets, including purchased intangible assets with finite lives, be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of December 31, 2018, the Company has determined that there have been no significant events or changes in circumstances that would trigger impairment testing of the Company's long-lived assets.

Deferred Rent: The Company records rent expense related to each of its office facilities based on a constant periodic rate over the term of the lease agreements. The excess of the cumulative rent expense incurred over the cumulative amounts due under the lease agreements are deferred and recognized over the term of the noncancelable leases. As of December 31, 2018,

1. Organization and Significant Accounting Policies (Continued):

deferred rent was considered immaterial to the consolidated financial statements.

Cost of Revenue: Cost of revenue primarily represents payroll and related costs, royalties, and other direct costs associated with the sale of product.

Advertising Costs: The Company expenses advertising costs as incurred. During the year ended December 31, 2018, the Company incurred advertising expense in the approximate amount of $601,176.

Stock-Based Compensation: The Company recognizes stock-based compensation on awards granted under a stock compensation plan. Stock-based compensation expense is recorded for awards issued to employees using the fair value method with a corresponding increase in equity. Stock-based compensation awards granted to employees are measured at the grant date fair value with compensation expense recognized on a straight-line basis over the requisite service period of the award.

Income Taxes: The Parent has elected to be treated as an S Corporation under the provisions of the Internal Revenue Code, which provide that, in lieu of federal and certain state corporate income taxes, the stockholder is taxed on the Parent's taxable income. Therefore, no liability for federal and certain state income taxes is presented in these consolidated financial statements. In certain states, the Parent is subject to entity-level state income taxes.

For states or foreign jurisdictions having entity-level taxes, the Company uses an asset and liability approach to financial accounting and reporting for state income taxes. Deferred state and foreign income tax assets and liabilities are computed annually for differences between the consolidated financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. Deferred income tax assets, including those resulting from loss and credit carryforwards, and liabilities are measured using enacted tax laws and rates applicable to the periods in which the differences are expected to affect state and foreign taxable income. Valuation allowances are established when necessary to reduce deferred state income tax assets to the amounts expected to be realized. State and foreign income tax expense is the state and foreign tax payable or refundable for the period plus or minus the change during the period in deferred state and foreign income tax assets and liabilities.

The Company assesses the recording of uncertain tax positions by evaluating the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the consolidated financial statements. The Company's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its consolidated statement of income.

Taxes to Governmental Authorities: The Company collects sales, use and foreign value added taxes but excludes such amounts from revenue.

Comprehensive Income: Comprehensive income consists of changes in stockholders' equity not related to transactions with the stockholder. During the year ended December 31, 2018, other comprehensive income includes foreign currency translation adjustments.

Use of Estimates: Management has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Actual results experienced by the Company may differ from those estimates.

Subsequent Events: Management has evaluated subsequent events spanning the period from December 31, 2018 through March 14, 2019, the date the consolidated financial statements were available to be issued.

2. Property and Equipment:

Property and equipment as of December 31, 2018 consists of the following:

Computer Software	$ 3,111,823
Leasehold Improvements	2,594,762
Computer Equipment	2,209,788
Furniture and Fixtures	1,303,139
	9,219,512
Less: Accumulated Depreciation	4,139,738
	$ 5,079,774

Depreciation expense for the year ended December 31, 2018 amounted to $2,365,731.

3. Intangible Assets:

As of December 31, 2018, intangible assets consist of the following:

	Cost	Accumulated Amortization
Intangibles Subject to Amortization:		
Software Technology	$ 7,847,000	$ 7,847,000
Customer Lists	6,243,417	6,136,742
Brands, Tradenames, and Websites	293,480	293,480
Noncompete Agreements	280,800	280,800
	14,664,697	14,558,022
Intangibles Not Subject to Amortization:		
Brands, Tradename, and Website	47,000	-
Total Intangible Assets	$ 14,711,697	$ 14,558,022

Future amortization expense related to intangible assets as of December 31, 2018 is as follows:

Year Ending December 31,	
2019	$ 75,300
2020	31,375
	$ 106,675

Amortization expense for the year ended December 31, 2018 amounted to $147,890.

4. State and Foreign Income Taxes:

The provision for state and foreign income taxes during the year ended December 31, 2018 consists of the following:

Current:	
Foreign	$ 403,000
State	41,000
	444,000
Deferred:	
Foreign	358,000
State	50,000
	408,000
	852,000
Change in Valuation Allowance	(358,000)
	$ 494,000

Deferred state and foreign income taxes reflect the impact of carryforwards and temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by state and foreign tax laws. The carryforwards and temporary differences, which give rise to a significant portion of the Company's deferred state and foreign tax asset (liability) as of December 31, 2018, is as follows:

State Credit Carryforwards	$ 194,000
Prepaids, Reserves, and Accruals	109,000
Depreciation and Amortization	(36,000)
Stock Based Compensation	2,000
	269,000
	$ 269,000

4. State and Foreign Income Taxes (Continued):

The Company has state research and development credit carryforwards of $194,000, which expire through 2038.

The Company has not recognized any liabilities for uncertain tax positions or unrecognized benefits as of December 31, 2018. The Company does not expect any material change in uncertain tax benefits within the next twelve months.

5. Deferred Compensation Plans:

Phantom Share Plan: Effective January 1, 2015, the Company established the 2015 Phantom Share Plan (Phantom Plan), under which certain employees of the Company (Participants) are granted a percentage of the appreciation in the Company's equity value, as defined. The grants vest equally over a three-year period from the effective date of grant. Under the terms of the Phantom Plan, in the event of (i) the Participant's involuntary termination of services (other than for cause), (ii) the Participant's death, or (iii) the Participant's disability, the Participant shall be entitled to the accrued payment earned under vested grants. In the event of a change in control, as defined, all Participants grants shall become fully vested and payable. As a result of the Phantom Plan, the accompanying consolidated balance sheets include long-term deferred compensation expense in the amount of $71,967 as of December 31, 2018. During the year ended December 31, 2018, the Company paid out deferred compensation expense totaling $4,852,822, related to the vested grants of Participants who were involuntarily terminated and active employees that became fully vested. For the year ended December 31, 2018, the change in value of the Phantom Plan included in the accompanying consolidated statement of income amounted to $(15,430).

6. Common Stock:

As of December 31, 2018, the Company had 4,000,000 and 40,000,000 shares authorized and 3,400,000 and 30,600,000 shares issued of Class A common stock and Class B common stock, each respectively. The shares have zero par value.

7. Equity Compensation Plan:

On September 20, 2018, the Board of Directors adopted the 2018 Stock Incentive Plan (Plan). Under the terms of the Plan, incentive stock options (ISOs) may be granted to employees of the Company and nonqualified stock options or restricted awards may be granted to directors, consultants, employee, and officers of the Company. The exercise price of ISOs cannot be less than the fair value of the Company's Class B common stock on the grant date, or less than 110% of the fair value in the case of employees holding 10% or more of the voting stock of all classes of stock of the Company. The options vest over a period determined by the Board of Directors, generally four years, and expire not more than ten years from the date of grant.

As of December 31, 2018, the Company's authorized common stock includes 7,000,000 shares of class B common stock reserved for issuance of options and restricted stock under the Plan, of which 563,125 are available for future grants.

Class B stock option activity under the Plan during the year ended December 31, 2018 was as follows:

	Number of Options	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2017	-	$ -	
Granted	6,436,875	4.93	
Outstanding at December 31, 2018	6,436,875	$ 4.93	9.79
Vested and Expected to Vest at December 31, 2018	5,924,743	$ 4.93	9.79
Exercisable at December 31, 2018	1,315,554	$ 4.93	9.79

The weighted-average grant-date fair value of options granted during the year ended December 31, 2018 amounted to $1.78.

No options were exercised during the year ended December 31, 2018.

During the year ended December 31, 2018, stock-based compensation expense amounted to $2,105,582, which is included in the consolidated statement of income, and is based on awards ultimately expected to vest.

As of December 31, 2018, there is approximately $8,197,0000 of unrecognized compensation expense related to unvested stock-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted average period of 3.14 years. The total fair value of shares vested during the year ended December 31, 2018 amounted to $6,485,681.

The Company uses the Black-Scholes option-pricing model to value option grants on the date of grant and to determine the related compensation expense. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimations. The Company bases its expected volatility on the volatilities of certain publicly-traded peer companies. Management believes that the historical volatility of the Company's stock price does not best represent the expected volatility of the stock price. The Company is a privately-held company and therefore lacks company-specific historical and implied volatility information.

7. Equity Compensation Plan (Continued):

The Company intends to continue to consistently use the same group of publicly traded peer companies to determine volatility in the future until such time that sufficient information regarding the volatility of the Company's share price becomes available or that the selected companies are no longer suitable for this purpose. The risk-free interest rate used for each grant is equal to the U.S. Treasury yield curve in effect at the time of grant for instruments with a similar expected life. The expected term of options granted is determined based on the average of the vesting term and the contractual lives of all options awarded. The expected dividend yield assumption is based on the Company's history and expectation of dividend payouts.

In determining the exercise prices for options granted, the Company has considered the fair value of the common stock as of the measurement date. The fair value of the common stock has been determined by an outside valuation, which contemplates a broad range of factors, including the illiquid nature of the investment in the Company's common stock, the Company's historical financial performance and financial position, the Company's future prospects and opportunity for liquidity events, and recent sale and offer prices of common and preferred stock, if any, in private transactions negotiated at arm's length.

The following table provides the assumptions used in determining the fair value of the stock-based awards for the year ended December 31, 2018:

Risk-Free Interest Rate	3.10%
Expected Dividend Yield	0%
Expected Volatility	29.71%
Expected Life	6.25 Years
Fair Value of Common Stock	$4.93

The Company recognizes compensation expense for only the portion of options that are expected to vest. Therefore, the Company has estimated expected forfeitures of stock options. In developing a forfeiture rate estimate, the Company considers its historical experience and future expectations. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in future periods.

8. Stock Appreciation Unit Plans:

During June 2010, the Company adopted stock appreciation unit plans for each of its network management, file transfer and messaging divisions (the SAU Plans) for certain key employees of the Company. Under the terms of the SAU Plans, the Company was authorized to grant, at the discretion of the Company's Board of Directors, up to an aggregate of 6,500 stock appreciation units (SAUs). During 2011, the Company amended the SAU Plans to increase the number of SAUs authorized and issued on a 1-for-2,000 basis for those associated with the network management division and a 1-for-1,000 basis for those associated with the file transfer division, with no change to those associated with the messaging division. Upon the sale of the Company or a division, as applicable, SAUs granted under this plan entitle an employee to receive a proportionate payment in cash or in the form of the Company's common stock, or a combination of both, based upon the valuation methodology and payment terms as defined in the SAU Plans. As the outstanding awards are only exercisable upon the sale of the Company or a division, no compensation was recorded relating to the SAU Plans during the year ended December 31, 2018. The Company will record compensation expense related to the SAU Plans when the sale of the Company or a division becomes probable. During the year ended December 31, 2015, all outstanding vested SAU awards were frozen at their then-current valuation. As of December 31, 2018, there are no additional SAUs available for grant.

9. Operating Leases:

The Company leases office space in Burlington, Massachusetts; Madison, Wisconsin; Alpharetta, Georgia; North Augusta, South Carolina; Livonia, Michigan; and Galway, Ireland under noncancelable lease agreements. The leases require minimum monthly rental payments plus related operating costs and expire on various dates through December 2026. The Company provided a letter of credit in the amount of $588,679 in lieu of deposit for the Burlington, Massachusetts lease. During the year ended December 31, 2018, the Company incurred rent expense under the lease agreements in the approximate amounts of $2,002,625.

Future minimum lease payments due under the noncancelable portion of these lease agreements as of December 31, 2018, are as follows:

Year Ending December 31,	
2019	$ 1,609,845
2020	1,828,704
2021	1,857,841
2022	1,795,947
2023	1,386,981
Thereafter	1,795,172
	$ 10,274,490

10. Retirement Plan:

The Company sponsors a defined contribution plan covering substantially all of its employees who meet certain eligibility requirements. The Company, at the discretion of the Board of Directors, may make contributions to the plan.

During the year ended December 31, 2018, the Company made contributions to the plan of approximately $562,000.

11. Commitments and Contingencies:

Royalty Agreements: The Company has entered into several royalty agreements that require the Company to pay third parties certain amounts based upon revenue associated with the Company's products. During the year ended December 31, 2018, the Company incurred royalty expenses in the approximate amount of $652,000, which are included in cost of revenue in the accompanying consolidated statement of income.

Legal Actions: From time to time, the Company is included in legal actions arising in the ordinary course of business. As of December 31, 2018, in the opinion of management, the ultimate liability, if any, from such actions would not have a material effect on the accompanying consolidated financial statements.

12. Indemnifications:

In the ordinary course of business, the Company enters into various agreements containing standard indemnification provisions. The Company's indemnification obligations under such provisions are typically in effect from the date of execution of the applicable agreement through the end of the applicable statute of limitations. The aggregate maximum potential future liability of the Company under such indemnification provisions is uncertain. As of December 31, 2018, no amounts have been accrued related to such indemnification provisions.

13. Subsequent Events:

Acquisition: On April 30, 2019, the Company was acquired by Progress Software Corporation (the Purchaser). In connection with the acquisition, all outstanding equity interests were acquired by the Purchaser.

Retirement Plan: On April 30, 2019, in connection with the acquisition of the Company by Progress Software Corporation, the Company terminated the Ipswitch, Inc. 401(k) Plan, pursuant to the terms of the Stock Purchase Agreement with the Purchaser.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined consolidated financial statements of Progress Software Corporation (the “Company” or “Progress”) and Ipswitch, Inc. (“Ipswitch”) have been prepared to give effect to the acquisition of Ipswitch by the Company, which was completed on April 30, 2019 (the “Acquisition”).

The unaudited pro forma condensed consolidated statements of income for the year ended November 30, 2018 and for the three months ended February 28, 2019 (the “Pro Forma Income Statements”), give effect to the Acquisition as if such Acquisition had occurred on December 1, 2017. The unaudited pro forma condensed consolidated statement of income for the year ended November 30, 2018 combines the audited historical results of the Company for the year ended November 30, 2018 (the Company’s fiscal year end) and the audited historical results of Ipswitch for the year ended December 31, 2018 (Ipswitch’s fiscal year end), which were adjusted in order to be consistent with the Company's classification of expenses. The unaudited pro forma condensed consolidated statement of operations for the three months ended February 28, 2019 combines the unaudited historical results of the Company for the three months ended February 28, 2019 and the unaudited historical results of Ipswitch for the three months ended March 31, 2019, which were adjusted in order to be consistent with the Company’s classification of expenses.

The historical consolidated financial information of the Company and Ipswitch has been adjusted in the Pro Forma Income Statements to give effect to pro forma events that are (1) directly attributable to the Acquisition, (2) factually supportable, and (3) with respect to the statements of income, expected to have a continuing impact on the combined results of the Company. The Pro Forma Income Statements presented are based on the assumptions and adjustments described in the accompanying notes. The actual financial position or results of operations reported by the Company in periods following the Acquisition may differ significantly from those reflected in these Pro Forma Income Statements for a number of reasons, including but not limited to the impact and benefits of the acquisition, cost savings from operating efficiencies, and the incremental costs incurred in successfully integrating and operating the Ipswitch business. There were no transactions between the Company and Ipswitch during the periods presented in the Pro Forma Income Statements that would need to be eliminated. The Pro Forma Income Statements are based upon available information and assumptions as of the date of this report that the Company believes are reasonable.

The Pro Forma Income Statements have been compiled from the following sources with the following unaudited adjustments:

- The financial information for Progress has been prepared in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”) and extracted without adjustment from: (i) the Company’s audited consolidated statement of income for the fiscal year ended November 30, 2018, contained in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on January 28, 2019; and (ii) the Company’s unaudited consolidated statement of income for the three month period ended February 28, 2019, contained in the Company’s Quarterly Report on Form 10-Q filed with the SEC on April 5, 2019.

- The financial information for Ipswitch has been prepared in accordance with U.S. GAAP and derived without material adjustment from: (i) Ipswitch’s audited consolidated income statement for the year ended December 31, 2018, attached as Exhibit 99.2 to this Current Report on Form 8-K/A; and (ii) Ipswitch’s unaudited consolidated income statement as of and for the three month period ended March 31, 2019, which were adjusted in order to be consistent with the Company’s account presentation and classification of expenses, respectively.

The Pro Forma Income Statements are based upon the respective historical and pro forma financial information of the Company and Ipswitch, and should be read in conjunction with:

- the accompanying notes to the Pro Forma Income Statements;

- the separate historical audited consolidated financial statements of the Company as of and for the year ended November 30, 2018 included in the Company’s Annual Report on Form 10-K for the year ended November 30, 2018;

- the separate historical unaudited condensed consolidated financial statements of the Company as of and for the three months ended February 28, 2019 included in the Company’s Quarterly Report on Form 10-Q for the three months ended February 28, 2019; and

- the separate historical audited consolidated financial statements of Ipswitch as of and for the year ended December 31, 2018, attached as Exhibit 99.2 to this Current Report on Form 8-K/A.

These Pro Forma Income Statements are presented for informational purposes only and do not purport to represent what the results of operations would actually have been if the Acquisition occurred as of the dates indicated or what results will be for any future periods.

The Pro Forma Income Statements were prepared using the acquisition method of accounting for the business combination. Accordingly, consideration paid by the Company to complete the Acquisition was allocated to Ipswitch's assets and liabilities based upon their estimated fair values as of the date of completion of the Acquisition. The pro forma purchase price adjustments are preliminary, subject to further adjustments as additional information becomes available along with the completion of the purchase price allocation and as additional analyses are performed, and have been made solely for the purpose of providing the Pro Forma Income Statements presented below.

The Pro Forma Income Statements do not reflect the cost of any integration activities or benefits that may result from savings that may be derived from any integration activities.

Based on the Company's preliminary review of Ipswitch's summary of significant accounting policies disclosed in Ipswitch's financial statements, the nature and amount of any adjustments to the historical financial statements of Ipswitch to conform Ipswitch's accounting policies to those of the Company's are not expected to be significant.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED NOVEMBER 30, 2018

(In thousands, except per share data)	November 30, 2018 Progress (audited)	December 31, 2018 Ipswitch (audited)	Pro Forma Adjustments	Note	Pro Forma Progress (unaudited)
Revenue:					
Software licenses	$ 122,137	$ 19,022	$ —		$ 141,159
Maintenance and services	275,028	57,067	(24,056)	(a)	308,039
Total revenue	397,165	76,089	(24,056)		449,198
Costs of revenue:					
Cost of software licenses	4,769	2,325	—		7,094
Cost of maintenance and services	39,470	7,495	—		46,965
Amortization of acquired intangibles	22,734	—	6,624	(b)	29,358
Total costs of revenue	66,973	9,820	6,624		83,417
Gross profit	330,192	66,269	(30,680)		365,781
Operating expenses:					
Sales and marketing	93,036	18,932	—		111,968
Product development	79,739	13,485	—		93,224
General and administrative	49,050	17,378	—		66,428
Loss on assets held for sale	5,147	—	—		5,147
Fees related to shareholder activist	1,472	—	—		1,472
Amortization of acquired intangibles	13,241	148	15,764	(b)	29,153
Restructuring expense	2,251	—	—		2,251
Acquisition-related expenses	258	—	—		258
Total operating expenses	244,194	49,943	15,764		309,901
Income (loss) from operations	85,998	16,326	(46,444)		55,880
Other (expense) income:					
Interest expense	(5,149)	—	(8,232)	(c)	(13,381)
Interest income and other, net	1,220	—	—		1,220
Foreign currency loss, net	(3,089)	(102)	—		(3,191)
Total other expense, net	(7,018)	(102)	(8,232)		(15,352)
Income (loss) before income taxes	78,980	16,224	(54,676)		40,528
Provision for income taxes	15,489	494	(9,915)	(d)	6,068
Net income (loss)	$ 63,491	$ 15,730	$ (44,761)		$ 34,460
Earnings per share:					
Basic	$ 1.39				$ 0.76
Diluted	$ 1.38				$ 0.75
Weighted average shares outstanding:					
Basic	45,561				45,561
Diluted	46,135				46,135

See notes to the unaudited pro forma condensed consolidated financial statements.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
THREE MONTHS ENDED FEBRUARY 28, 2019

(In thousands, except per share data)	February 28, 2019 Progress (unaudited)	March 31, 2019 Ipswitch (unaudited)	Pro Forma Adjustments	Note	Pro Forma Progress (unaudited)
Revenue:					
Software licenses	$ 22,802	$ 4,744	$ —		$ 27,546
Maintenance and services	66,747	14,233	(1,422)	(a)	79,558
Total revenue	89,549	18,977	(1,422)		107,104
Costs of revenue:					
Cost of software licenses	1,167	562	—		1,729
Cost of maintenance and services	9,439	1,810	—		11,249
Amortization of acquired intangibles	5,433	—	1,656	(b)	7,089
Total costs of revenue	16,039	2,372	1,656		20,067
Gross profit	73,510	16,605	(3,078)		87,037
Operating expenses:					
Sales and marketing	22,323	4,427	—		26,750
Product development	19,890	3,325	—		23,215
General and administrative	12,285	5,517	—		17,802
Amortization of acquired intangibles	3,188	19	3,959	(b)	7,166
Restructuring expenses	415	—	—		415
Total operating expenses	58,101	13,288	3,959		75,348
Income (loss) from operations	15,409	3,317	(7,037)		11,689
Other (expense) income:					
Interest expense	(1,389)	—	(1,875)	(c)	(3,264)
Interest income and other, net	229	—	—		229
Foreign currency loss, net	(843)	15	—		(828)
Total other expense, net	(2,003)	15	(1,875)		(3,863)
Income (loss) before income taxes	13,406	3,332	(8,912)		7,826
Provision for income taxes	4,004	264	(1,631)	(d)	2,637
Net income (loss)	$ 9,402	$ 3,068	$ (7,281)		$ 5,189
Earnings per share:					
Basic	$ 0.21				$ 0.12
Diluted	$ 0.21				$ 0.11
Weighted average shares outstanding:					
Basic	44,956				44,956
Diluted	45,286				45,286

See notes to the unaudited pro forma condensed consolidated financial statements.

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

Note 1. Basis of Presentation

On April 30, 2019, Progress completed its acquisition of all of the outstanding equity interests (the “Purchased Shares”) of Ipswitch, Inc. (“Ipswitch”) from Roger Greene (the “Seller”), pursuant to that certain Stock Purchase Agreement (the “Purchase Agreement”), dated as of March 28, 2019, by and among Progress, Ipswitch and the Seller. The transactions contemplated by the Purchase Agreement are collectively referred to as the “Transactions”.

At the closing of the Transactions (the “Closing”), Progress acquired the Purchased Shares from the Seller for an aggregate purchase price of approximately $225.0 million, subject to certain customary adjustments as further described in the Purchase Agreement (the “Consideration”), which was paid in cash. Pursuant to the Purchase Agreement, $22.5 million of the Consideration was deposited into an escrow account to secure certain indemnification and other potential obligations of the Seller to Progress. The Seller also received an award of approximately $2.0 million in Progress restricted stock at Closing as consideration for the Seller entering into a three-year non-competition agreement as set forth in the Purchase Agreement. As previously disclosed, Progress partially funded the Consideration with $185.0 million of borrowings under the Second Amended and Restated Credit Agreement it entered into in connection with the Acquisition. The remaining portion of the Consideration was funded with cash on hand. As a result of the Transactions, Ipswitch became a wholly-owned subsidiary of Progress.

The accompanying Pro Forma Income Statements present the pro forma results of operations of the combined company based upon the historical financial statements of the Company and Ipswitch, after giving effect to the Acquisition and adjustments described in these footnotes, and are intended to reflect the impact of the Acquisition on the Company.

The Pro Forma Income Statements for the year ended November 30, 2018 and for the three months ended February 28, 2019, give effect to the Acquisition as if it had occurred on December 1, 2017. The unaudited pro forma condensed consolidated statement of income for the year ended November 30, 2018 combines the audited historical results of the Company for the year ended November 30, 2018 (the Company’s fiscal year end) and the audited historical results of Ipswitch for the year ended December 31, 2018 (Ipswitch’s fiscal year end), which were adjusted in order to be consistent with the Company's classification of expenses. The unaudited pro forma condensed consolidated statement of operations for the three months ended February 28, 2019 combines the unaudited historical results of the Company for the three months ended February 28, 2019 and the unaudited historical results of Ipswitch for the three months ended March 31, 2019, which were adjusted in order to be consistent with the Company’s classification of expenses.

The Acquisition was accounted for using the acquisition method of accounting in accordance with Accounting Standard Codification 805 - *Business Combinations*, and the Company’s cost to acquire Ipswitch has been allocated to the assets acquired and liabilities assumed based upon respective preliminary estimate of fair values as of the date of the Acquisition using assumptions that the Company’s management believes are reasonable given the information currently available. The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows and determining appropriate discount rates. The excess of the Consideration over the estimated amounts of net assets as of the effective date of the Acquisition was allocated to goodwill in accordance with the accounting guidance. The preliminary fair value estimates of the net assets acquired are based upon preliminary calculations and valuations, and those estimates and assumptions are subject to change as we obtain additional information for those estimates during the measurement period (up to one year from the acquisition date).

Based on the Company’s preliminary review of Ipswitch’s summary of significant accounting policies disclosed in Ipswitch’s financial statements, the nature and amount of any adjustments to the historical financial statements of Ipswitch to conform their accounting policies to those of Progress are not expected to be significant.

Note 2. Purchase Price Allocation

The Consideration paid to complete the Acquisition was approximately $225.0 million, subject to certain customary adjustments as further described in the Stock Purchase Agreement, and was funded through a combination of existing cash resources and a $185.0 million term loan, which is part of a previously disclosed $401.0 million term loan and revolving credit facility with JPMorgan Chase Bank, N.A. and a syndicate of other lenders. In addition, 10% of the total consideration was deposited into an escrow account to secure certain indemnification and other obligations of the Seller to Progress. The Seller also received an award of approximately $2.0 million in Progress restricted stock at Closing as consideration for the Seller entering into a three-year non-competition agreement and is not included in the total Consideration amount.

The Consideration has been allocated to Ipswitch's tangible assets, identifiable intangible assets and assumed liabilities based on their estimated fair values. The excess of the Consideration, less the fair value of the restricted stock discussed above, over the tangible assets, identifiable intangible assets and assumed liabilities will be recorded as goodwill. The Company's estimates and assumptions in determining the estimated fair values of certain assets and liabilities are preliminary and are subject to change.

The total estimated purchase price was allocated as follows (in thousands):

	Total
Net tangible assets	$ 11,043
Identifiable intangible assets	109,300
Deferred revenue	(12,696)
Goodwill	117,651
Net assets acquired	$ 225,298

The preliminary fair value of the intangible assets has been estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates used to price the Acquisition, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital. Based on the preliminary valuation, the acquired intangible assets are comprised of customer relationships of approximately $66.6 million, existing technology of approximately $33.1 million, and trademarks and trade names of approximately $9.6 million.

Acquisition-related transaction costs (e.g., advisory, legal, valuation, and other professional fees) and certain acquisition restructuring and related charges are not included as a component of consideration transferred, but are required to be expensed as incurred.

Note 3. Pro Forma Adjustments

The following pro forma adjustments are based on preliminary estimates, which may change as additional information is obtained. Note that prior to making pro forma adjustments in the Pro Forma Income Statements, certain balances were reclassified from the Ipswitch consolidated financial statements so their presentation would be consistent with Progress. In addition, the following pro forma adjustments exclude the decrease in interest income included in the Progress historical financial statements that would have resulted based on the estimated decrease in the Company's cash available for investment as a result of cash utilized for the Acquisition, as the related interest that would have been earned would be immaterial.

(**a**) Revenue - To reflect estimated amortization of preliminary fair value adjustment for acquired deferred revenue calculated as if the acquisition had occurred on December 1, 2017.

(**b**) Amortization Expense Related to Acquired Intangible Assets - Acquired intangible assets were recorded at their estimated fair value of approximately $109.3 million. The weighted-average useful life of the acquired intangible assets is estimated at 5 years. As previously noted, the Seller received a restricted stock award of approximately $2.0 million, subject to continued compliance with the three-year non-compete agreement. We concluded that the restricted stock award is not a compensation arrangement and we recorded the fair value of the award as an intangible asset. We will recognize amortization expense over the term of the agreement, which is 3 years. Adjustments to record estimated amortization expense of $22.5 million and $5.6 million were made for the year ended November 30, 2018 and the three months ended February 28, 2019, respectively (allocated between costs of revenue and operating expenses in accordance with the Company's policies), and were reflected in the Pro Forma Income Statement. In addition, an adjustment to reverse Ipswitch's amortization expense of $0.1 million was made for the year ended November 30, 2018. These expenses related to Ipswitch's acquisition-related intangible assets that existed prior to the Acquisition, and were subsequently eliminated as of the Acquisition date.

(**c**) Interest Expense - Adjustments were made in the Pro Forma Income Statements to record interest expense for the period presented, as a result of the credit facility entered into by the Company in connection with the Acquisition. The Acquisition was funded through the combination of existing cash resources and a $185.0 million term loan, which is part of a previously disclosed $401.0 million term loan and revolving credit facility with JPMorgan Chase Bank, N.A. and a syndicate of other lenders. Adjustments were made in the Pro Forma Income Statements to reflect the incurrence of term debt to fund the Acquisition and to increase interest expense related to such term debt in accordance with the terms of the credit facility.

(**d**) Income Taxes - Represents the income tax effect of the adjustments made at the statutory tax rate of the U.S. (approximately 24.5%). In addition, prior to the acquisition, Ipswitch did not pay entity level corporate tax, with the exception of some states, because it was registered as an S-Corporation. Therefore, we applied the statutory tax rate of the U.S. to the income before tax of Ipswitch as if the acquisition had occurred on December 1, 2017.