

PROS Holdings, Inc.  
Form DEF 14A  
April 28, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**PROS Holdings, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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- (1) Amount Previously Paid:
  
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  - (3) Filing Party:
  
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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD JUNE 10, 2010**

To The Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of stockholders of PROS Holdings, Inc. will be held on Thursday, June 10, 2010 at 8:00 a.m., local time, at our corporate headquarters located at 3100 Main Street Suite 900, Houston Texas 77002 for the following purposes:

1. To elect two directors for a three year term expiring 2013;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The above matters are fully described in the proxy statement. We have not received notice of any other matters that may be properly presented at the Annual Meeting.

We are pleased to take advantage of the U.S. Securities and Exchange Commission rules that allow companies to furnish their proxy materials over the Internet. As a result, we are mailing to our stockholders a Notice of Internet Availability of Proxy Materials or the Notice instead of a paper copy of this proxy statement and our 2009 Annual Report. The Notice contains instructions on how to access those documents over the Internet. The Notice also contains instructions on how to request a paper copy of our proxy materials, including this proxy statement, our 2009 Annual Report and a form of proxy card or voting instruction card. As a result of the Notice, not all stockholders will receive a paper copy of our proxy materials.

Only stockholders of record at the close of business on April 16, 2010 will be entitled to vote at the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection by any stockholder at our offices, 3100 Main Street, Suite 900, Houston, TX 77002, during ordinary business hours, for 10 days prior to the Annual Meeting. If you would like to review the stockholder list, please call our Corporate Communications Department at 713-335-5151 to schedule an appointment.

**To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the Annual Meeting.** Most stockholders have three options for submitting their vote: (1) via the Internet, (2) by telephone or (3) by mail using the paper proxy card. For further details, see Voting Instructions and your proxy card or the email you received for electronic delivery of this proxy statement. If you have Internet access, we encourage you to record your vote on the Internet. It is convenient and it saves us significant postage and processing costs.

For the Board of Directors,  
PROS Holdings, Inc.

Charles H. Murphy  
Executive Vice President and  
Chief Financial Officer  
Houston, Texas  
April 28, 2010

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**PROS Holdings, Inc.**  
**PROXY STATEMENT**  
**2009 ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD JUNE 10, 2010**

**General**

The enclosed proxy is solicited on behalf of the board of directors of PROS Holdings, Inc. for use at the Annual Meeting of stockholders to be held Thursday, June 10, 2010 at 8:00 a.m., local time, at our corporate headquarters located at 3100 Main Street, Suite 900, Houston Texas, 77002, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. Only stockholders of record at the close of business on April 16, 2010 are entitled to notice of and to vote at the meeting.

These proxy solicitation materials and the Annual Report to Stockholders for the year ended December 31, 2009, including financial statements, were first mailed or made available on or about April 28, 2010 to stockholders entitled to vote at the meeting.

The purposes of the meeting are:

1. To elect two directors for a three year term expiring 2013;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

**The board of directors unanimously recommends that stockholders vote FOR the proposals being presented.**

**Record date and shares outstanding**

Stockholders of record at the close of business on April 16, 2010 are entitled to notice of and to vote at the meeting. As of this record date 26,012,124 shares of our common stock were outstanding, all of which are entitled to vote with respect to all matters to be acted upon at the annual meeting. Each stockholder of record as of that date is entitled to one vote for each share of common stock held by him or her.

**Vote required**

If a quorum is present, a plurality vote of the holders of our common stock entitled to vote and present or represented at the meeting is required for the election of a director. The affirmative vote of the holders of a majority of the shares of common stock present or represented by proxy and voting at the annual meeting is required to approve the ratification of the selection of our independent auditors. We will not count abstentions as either for or against a director, so abstentions have no effect on the election of a director. A properly executed proxy marked abstain with respect to any matter is considered entitled to vote, and thus, will have the effect of a vote against a matter, except for the election of directors.

Our bylaws provide that a majority of the outstanding shares of our stock entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting. Votes for and against, abstentions and broker non-votes (shares held by a broker or nominee that does not have the authority, either express or discretionary, to vote on a particular matter) will each be counted as present for purposes of determining the presence of a quorum.

**Effect of not casting your vote**

The New York Stock Exchange or the NYSE recently changed its broker discretionary rules to prohibit banks, brokers and other intermediaries to vote shares held in their clients' accounts on elections of directors unless the client has provided voting instructions. In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank or broker was allowed to vote those shares on your behalf in the election of directors as they felt appropriate. Recent rule changes take away the ability of your bank or broker to vote your uninstructed shares in the election of directors on a discretionary basis. Therefore, if you hold your shares in street name, it is important that you cast your vote if you want it to count in the election of directors (Proposal One of this proxy statement).



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### **Attending the annual meeting**

The Annual Meeting will be held at 8:00 a.m., local time, on Thursday, June 10, 2010, at our corporate headquarters located at 3100 Main Street, Suite 900, Houston Texas, 77002. When you arrive, signs will direct you to the meeting room. Please note that the doors to the meeting room will not be open until 8:00 a.m. You do not need to attend the Annual Meeting to vote. Even if you plan to attend the Annual Meeting, please submit your vote in advance as instructed below.

### **Revocability of proxies**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by:

Filing with our Corporate Secretary at or before the taking of the vote at the meeting a written notice of revocation bearing a later date than the proxy;

Duly executing a later-dated proxy relating to the same shares and delivering it to our Corporate Secretary at or before the taking of the vote at the meeting; or

Attending the meeting and voting in person (although attendance at the meeting will not in and of itself constitute a revocation of a proxy).

Any written notice of revocation or subsequent proxy should be delivered to PROS Holdings, Inc. at our headquarters located at 3100 Main Street, Suite 900, Houston Texas 77002, Attention: Corporate Secretary, or hand-delivered to our Corporate Secretary before the taking of the vote at the meeting.

### **Electronic delivery of PROS Holdings, Inc. stockholder communications**

We are pleased to take advantage of the U.S. Securities and Exchange Commission or the SEC rules that allow companies to furnish their proxy materials over the Internet. As a result, we are mailing to our stockholders a Notice of Internet Availability of Proxy Materials or the Notice instead of a paper copy of this proxy statement and our 2009 Annual Report. The Notice contains instructions on how to access those documents over the Internet. The Notice also contains instructions on how to request a paper copy of our proxy materials, including this proxy statement, our 2009 Annual Report and a form of proxy card or voting instruction card. As a result of the Notice, not all stockholders will receive a paper copy of our proxy materials.

### **Voting instructions**

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the Annual Meeting in person. Most stockholders have three options for submitting their votes: (1) via the Internet, (2) by telephone or (3) by mail using the paper proxy card. If you have Internet access, **we encourage you to record your vote on the Internet**. It is convenient and it saves us significant postage and processing costs. In addition, when you vote via the Internet or by telephone prior to the meeting date, your vote is recorded immediately and there is no risk that postal delays will cause your vote to arrive late and therefore not be counted. If you attend the Annual Meeting, you may also submit your vote in person, and any previous votes that you submitted, whether by Internet, telephone or mail, will be superseded by the vote that you cast at the Annual Meeting.

§ Vote by Internet. You can vote via the Internet. The website address for Internet voting is [www.proxyvote.com](http://www.proxyvote.com). Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. You can use the Internet to transmit your voting instructions up until 11:59 P.M. Eastern Time on June 9, 2010. Internet voting is available 24 hours a day. If you vote via the Internet you do NOT need to vote by telephone or return a proxy card.

§ Vote by Telephone. You can also vote by telephone by calling the toll-free telephone number provided on your proxy card. Have your proxy card in hand when you call and then follow the instructions. You may transmit your voting instructions from any touch-tone telephone up until 11:59 P.M. Eastern Time on June 9, 2010. Telephone voting is available 24 hours a day. If you vote by telephone you do NOT need to vote over the Internet or return a proxy card.



§ Vote by Mail. If you received a printed copy of the proxy card, you can vote by marking, dating and signing it, and returning it in the postage-paid envelope provided to PROS Holdings, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Please promptly mail your proxy card to ensure that it is received prior to the closing of the polls at the annual meeting

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If you are a beneficial owner, or you hold your shares in street name, please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote by Internet or telephone.

**Solicitation of proxies**

We will bear the expense of soliciting proxies in the enclosed form. In addition, we might reimburse banks, brokerage firms, and other custodians, nominees and fiduciaries representing beneficial owners of our common stock, for their expenses in forwarding soliciting materials to those beneficial owners. Proxies may also be solicited by our directors, officers or employees, personally or by telephone, telegram, facsimile or other means of communication. We do not intend to pay additional compensation for doing so.

**Householding matters**

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of this notice and proxy statement may have been sent to multiple stockholders in your household. If you would prefer to receive separate copies of a proxy statement either now or in the future, please contact our Corporate Communications Department by writing to our principal office at 3100 Main Street Suite 900, Houston, Texas 77002. Upon written request, we will provide a separate copy of this proxy statement. In addition, stockholders sharing an address can request delivery of a single copy of proxy statements if you are receiving multiple copies upon written request to our Corporate Secretary at the address stated above.

**Table of Contents****PROPOSAL ONE**

Our board of directors consists of seven directors, which are divided into three classes, each of whose members serve for a staggered three-year term. The term of office of one class of directors expires each year in rotation so that one class is elected at each Annual Meeting for a full three-year term. Our Class III directors, Albert E. Winemiller and Ronald F. Woestemeyer, have been nominated by the board of directors to fill a three-year term expiring in 2013. The two other classes of directors, who were elected or appointed for terms expiring at the annual meetings in 2011 and 2012, respectively, will remain in office.

Unless a proxy is marked to withhold authority to vote, the proxy holders will vote the proxies received by them for the two Class III nominees named below, each of whom is currently a director and each of whom has consented to be named in this proxy statement and to serve if elected. In the event that any nominee is unable or declines to serve as a director at the time of the meeting, the proxies will be voted for any nominee designated by our board of directors to fill the vacancy. We do not expect that any nominee will be unable or will decline to serve as a director.

**Vote required**

Election of a director requires the plurality vote of the holders of our common stock entitled to vote and present or represented at the meeting. Accordingly, the two nominees who receive the highest number of properly executed

**FOR** votes from the holders of common stock, will be elected as directors. We will not count abstentions as either for or against a director, so abstentions have no effect on the election of a director.

In accordance with Delaware law, abstentions will be counted for purposes of determining both whether a quorum is present at the meeting and the total number of shares represented and voting on this proposal. While broker non-votes will be counted for purposes of determining the presence or absence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares represented and voting with respect to the particular proposal on which the broker has expressly not voted and, accordingly, will not affect the approval of this proposal.

The NYSE recently changed its broker discretionary rules to prohibit banks, brokers and other intermediaries to vote shares held in their clients' accounts on elections of directors unless the client has provided voting instructions. In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank or broker was allowed to vote those shares on your behalf in the election of directors as they felt appropriate. Recent rule changes take away the ability of your bank or broker to vote your uninstructed shares in the election of directors on a discretionary basis. Therefore, if you hold your shares in street name, it is important that you cast your vote if you want it to count in the election of directors (Proposal One of this proxy statement).

**The board of directors unanimously recommends voting **FOR** the two class III nominees listed below.**

The name of and certain information regarding each Class III nominee as of April 16, 2010 is set forth below, together with information regarding our Class I and Class II directors remaining in office. This information is based on data furnished to us by the nominees and directors. The business address for each nominee for matters regarding PROS Holdings Inc. is 3100 Main Street, Suite 900, Houston, TX 77002.

<b>Name</b>	<b>Director Since</b>	<b>Age</b>	<b>Current Position(s) with PROS</b>
<b>Class III Directors with Terms Expiring in 2010</b>			
Albert E. Winemiller	1999	67	Chairman of the Board, President and Chief Executive Officer
Ronald F. Woestemeyer	1985	64	Executive Vice-President, Strategic Business Planning and Director

<b>Class I Directors with Terms Expiring in 2011</b>			
Greg B. Petersen	2007	47	Director
Timothy V. Williams	2007	61	Director
Mariette M. Woestemeyer	1985	58	Director

**Class II Nominees for Terms Expiring in 2012**

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Ellen Keszler	2008	47	Director
William Russell	2008	58	Director
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**Table of Contents****Class III directors**

*Albert E. Winemiller* joined PROS Holdings Inc. in 1999 as our president and chief executive officer and has served as chairman of our board of directors since October 2000. Mr. Winemiller began his career as a software engineer at IBM and has over 20 years experience as an executive for information services and software products companies. Mr. Winemiller's experience includes serving as president of infoUSA, a provider of business and consumer information and research services and as senior vice president for Automatic Data Processing, a provider of transaction processing and information-based business solutions. Mr. Winemiller holds a Bachelor of Science and Master of Science degrees from the University of Missouri and a Master of Business Administration from Harvard Business School.

*Ronald F. Woestemeyer* co-founded PROS Holdings Inc. in 1985 with his wife, Mariette Woestemeyer, and has been a director since our founding and our executive vice president since 1997. From 1985 to 1997, Mr. Woestemeyer served as our chief executive officer. Prior to founding PROS Holdings Inc., Mr. Woestemeyer spent 14 years at Texas International Airlines in various management and executive positions with responsibility over sales and marketing. Mr. Woestemeyer holds a Bachelor of Business Administration degree from the University of Houston.

**Class I directors**

*Greg B. Petersen* has served as a director of PROS Holdings Inc. since July 2007. Mr. Petersen is currently the executive vice president and chief financial officer of Lombardi Software, Inc., a Business Process Management software provider. From 2007 to 2008, Mr. Petersen was President of Texas Capital Advisors LLC. Previously, Mr. Petersen was executive vice president and chief financial officer from 2005 to 2007 and, from 2001 to 2005, the senior vice president and chief financial officer of Activant Solutions, a provider of business management solutions to retail and wholesale distribution businesses. From 2000 until 2001, Mr. Petersen served as vice president of finance of Trilogy Software, a provider of enterprise software and business services, and as its treasurer from 1999 until 2000. From 1997 to 1999, Mr. Petersen was Senior Vice President of Planning and Business Development of RailTex, a short-line and regional rail service provider. From 1989 to 1997, Mr. Petersen held various finance and strategy positions at American Airlines, most recently as managing director of corporate development. Mr. Petersen holds a Bachelor of Arts in economics from Boston College and a Master of Business Administration from the Fuqua School of Business at Duke University.

*Timothy V. Williams* has served as a director of PROS Holdings, Inc. since 2007. Mr. Williams serves as senior vice president and chief financial officer of Blackbaud, Inc., a provider of software and services to non-profit organizations, and has held this role since 2001. From 1994 to 2001, he served as executive vice president and chief financial officer of Mynd (now a subsidiary of Computer Sciences Corporation), a provider of software and services to the insurance industry. Prior to that, Mr. Williams worked at Holiday Inn, most recently as executive vice president and chief financial officer. Mr. Williams holds a Bachelor of Arts from the University of Northern Iowa.

*Mariette M. Woestemeyer* co-founded PROS Holdings Inc. in 1985 with her husband, Mr. Woestemeyer, and has served as a director since our founding. Mrs. Woestemeyer was the chief financial officer of Metro Networks, a broadcasting company, from 1983 to 1985 and held various financial roles with Continental Airlines and its predecessor, Texas International Airlines, prior to 1983. Mrs. Woestemeyer holds a Bachelor of Business Administration degree and a Master of Business Administration from the University of Houston.

**Class II nominees**

*Ellen Keszler* has served as a director of PROS Holdings, Inc. since 2008. Mrs. Keszler currently serves as president and chief executive officer of Clear Sky Associates, a management and strategy consulting firm focused on the technology and travel industries. Previously, Mrs. Keszler served as president of Travelocity Business from 2003 to 2007, a technology-focused corporate travel management company. From 2000 to 2003, Mrs. Keszler served as senior vice president North American Division of Sabre Travel Network, a travel technology and services business. From 1987 to 2000, Mrs. Keszler held various finance roles at Sabre Holdings, American Airlines and JCPenney. These functions included financial planning, strategic analysis, treasury, mergers and acquisitions, and financial operations. Mrs. Keszler holds a Bachelor of Science degree in Civil Engineering from Texas A&M University and a Master of Business Administration from the University of Texas at Austin.

*William Russell* has served as a director of PROS Holdings, Inc. since 2008 and also serves as the lead independent director. Mr. Russell has served in a number of senior-level roles in his more than 20 years at Hewlett-Packard, including vice president and general manager of the multi-billion-dollar Enterprise Systems Group. He has served as a board director of a number of enterprise software companies since he retired from Hewlett-Packard in May 2003. He has served in a variety of roles on both public and private technology company boards and he previously served on the boards of webMethods and Cognos. Mr. Russell holds a Bachelor of Science in Computer Science from Edinburgh University and has completed several executive development programs from institutions including Harvard Business School and INSEAD.

**Table of Contents****CORPORATE GOVERNANCE MATTERS****Board composition**

Our board of directors currently is comprised of seven directors. Mrs. Woestemeyer, Mrs. Keszler and Messrs. Petersen, Russell, Williams, Winemiller and Woestemeyer currently serve as our directors. Our bylaws provide that the number of directors constituting our board of directors shall be not more than nine, and the exact number of directors may be fixed or changed, by resolution adopted by the affirmative vote of a majority of the directors then in office. Our directors bring their leadership experience from a variety of information technology companies and professional backgrounds. Through Messrs. Winemiller, Woestemeyer and Mrs. Woestemeyer, we have the continuity and history of current and past management and direct relevant industry experience. Mrs. Keszler and Mr. Russell have worked in various senior management roles and contribute their significant operational experience. Messrs. Petersen and Williams have experience in the role of chief financial officer and bring their extensive accounting and risk management knowledge to us. In addition, our directors' objective and sound judgment, high ethical standards, core values, inquisitive nature, insight, integrity, intelligence, thoughtfulness, and constructive working relationships with other directors are reflected in their contributions to our board and committee meetings and our direction and strategy as a company.

**Independence of Directors**

The board of directors has adopted categorical standards or guidelines to assist our board of directors in making its independence determinations with respect to each director. These standards are published in our Corporate Governance Guidelines and are available under the *Corporate Governance Investor Relations* section of our website at [www.prospricing.com](http://www.prospricing.com). The board of directors has determined that the following four directors are independent within the meaning of the NYSE listing standards and federal securities laws: Messrs. Petersen, Russell and Williams and Mrs. Keszler. As part of such determination of independence, our board of directors has affirmatively determined that none of these four directors have a relationship with us that would interfere with the exercise of independent judgment in carrying out their responsibilities as directors. A majority of our board of directors is independent, and our audit committee, compensation committee and nominating and governance committee is comprised of all independent directors.

**Meeting attendance**

During 2009, our board of directors held seven meetings, the audit committee held 14 meetings, the compensation committee held eight meetings, and the nominating and governance committee held four meetings. No incumbent director attended fewer than 100% of the aggregate of all meetings of our board of directors, and the committees on which he or she served, during 2009. The board of directors encourages all directors to attend meetings of the stockholders. All directors attended the 2009 meeting of the stockholders.

**Director nomination**

The nominating and governance committee of our board of directors has the responsibility for establishing the criteria for recommending which directors should stand for re-election to our board of directors and the selection of new directors to serve on our board of directors. In addition, the nominating and governance committee is responsible for establishing the procedures for our stockholders to nominate candidates to our board of directors. Although the nominating and governance committee has not formulated any specific minimum qualifications for director candidates, it has determined that desirable characteristics include, but are not limited to, business experience, mature judgment, personal and professional ethics, and integrity and values. The Company does not have a formal policy with respect to consideration of diversity in identifying director nominees, however, in the process of selecting a director nominee, the nominating and governance committee assesses backgrounds and expected contributions of the individuals to the Board. These and other standards are published in our Corporate Governance Guidelines and are available under the *Corporate Governance Investor Relations* section of our website at [www.prospricing.com](http://www.prospricing.com).

Our bylaws permit any stockholder of record to nominate directors. Stockholders who wish to submit nominees for election at an annual or special meeting of stockholders should follow the procedure described on page 30. The nominating and governance committee applies the same standards in considering candidates submitted by stockholders as it does in evaluating candidates submitted by members of the board of directors.





**Table of Contents****Committees of the board of directors**

Our board of directors has established an audit committee, a compensation committee and a nominating and governance committee. In addition, the board of directors has elected a lead independent director. The table below presents the members of each of our committees and the lead independent director.

<b>Director</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Governance Committee</b>	<b>Lead Independent Director</b>
Albert E. Winemiller				
Ronald F. Woestemeyer				
Ellen Keszler	X		X	
Greg B. Petersen	X	Chair	X	
William Russell		X	Chair	X
Timothy V. Williams	Chair	X	X	
Mariette M. Woestemeyer				

***Audit committee***

The current members of our audit committee are Messrs. Petersen and Williams and Mrs. Keszler. Our board of directors has determined that each member meets the independence requirements of the NYSE listing standards and Rule 10A-3(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and that each qualify as an audit committee financial expert within the meaning of the SEC regulations and the rules of the NYSE. In arriving at this determination, the board has examined each member's scope of experience and the nature of their employment in the corporate finance sector.

The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. Primary responsibilities of our audit committee include:

reviewing and providing oversight over the qualification, independence and performance of our independent auditor and determining whether to retain or terminate its services;

approving the terms of engagement of our independent auditor and pre-approving the engagement of our independent auditor to perform permissible non-audit services;

reviewing and discussing with management and our independent auditor the results of the annual audit and the independent auditor's review of our annual and quarterly financial statements and reports;

reviewing with management and our independent auditor matters that have a significant impact on our financial statements;

conferring with management and our independent auditors regarding the scope, adequacy and effectiveness of our internal control over financial reporting;

establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal control or auditing matters and for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters; and

reviewing and approving all related party transactions.

Our audit committee operates under a written charter, a copy of which is available under the *Corporate Governance - Investor Relations* section of our website at [www.prospricing.com](http://www.prospricing.com). A printed copy of our audit committee charter may be obtained by any stockholder upon sending a written request to PROS Holdings, Inc., 3100 Main Street, Suite 900, Houston, Texas 77002, Attn: Corporate Communications. In 2009, the audit committee held five in-person meetings and nine telephonic meetings. The report of the audit committee begins on page 30.



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***Compensation committee***

The current members of our compensation committee are Messrs. Petersen, Russell and Williams. Each member of our compensation committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Exchange Act, and an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. Our board of directors has determined that Messrs. Petersen, Russell and Williams each meet the independence requirements of the NYSE listing standards and federal securities laws.

The compensation committee discharges the responsibilities of our board of directors relating to the compensation and benefits for our executive officers and directors. Primary responsibilities of our compensation committee include:

determining and reviewing all forms of compensation for our executive officers and directors, including, among other things, annual salaries, bonuses, equity awards, severance arrangements, change in control protections and other compensatory arrangements;

reviewing and approving corporate performance goals and objectives relevant to such compensation;

administering our equity incentive plans and granting awards of options and other equity-based awards to our executive officers, directors and employees;

reviewing our compensation discussion and analysis and compensation committee report required by the rules of the SEC; and

evaluating and recommending to our board of directors the compensation plans and programs advisable for us, and evaluating and recommending the modification or termination of existing plans and programs.

Our compensation committee operates under a written charter, a copy of which is available under the *Corporate Governance Investor Relations* section of our website at [www.prospricing.com](http://www.prospricing.com). A printed copy of our compensation committee charter may be obtained by any stockholder upon sending a written request to PROS Holdings, Inc., 3100 Main Street, Suite 900, Houston, Texas 77002, Attn: Corporate Communications. In 2009, the compensation committee held three in-person meetings and five telephonic meetings. The report of the compensation committee begins on page 26.

***Nominating and governance committee***

The members of the nominating and governance committee are Messrs. Petersen, Russell and Williams and Mrs. Keszler. The board has determined that each member meets the independence requirements of the NYSE listing standards and federal securities laws. Primary responsibilities of our nominating and governance committee include:

identifying, evaluating and recommending to our board of directors candidates to serve as members of our board of directors and considering the nomination of our incumbent directors for reelection;

evaluating stockholder nominations of candidates for election to our board of directors;

reviewing our general policy relating to selection of director candidates and members of committees of our board of directors, including an assessment of the performance of our board of directors; and

reviewing and making recommendations to our board of directors regarding corporate governance principles.

Our nominating and governance committee operates under a written charter, a copy of which is available under the *Corporate Governance Investor Relations* section of our website at [www.prospricing.com](http://www.prospricing.com). A printed copy of our nominating and governance committee charter may be obtained by any stockholder upon sending a written request to PROS Holdings, Inc., 3100 Main Street, Suite 900, Houston, Texas 77002, Attn: Corporate Communications. In 2009, the nominating and governance committee held four in-person meetings.

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### **Board Leadership Structure**

The board of directors has determined that combining the chief executive officer and chairman positions is the appropriate leadership structure for PROS Holdings, Inc. at this time. The board of directors believes that combining the chief executive officer and chairman roles fosters clear accountability, effective decision-making and alignment on corporate strategy. The board of directors believes this leadership structure is particularly appropriate for the Company at this time given the chief executive officer's continuity of service with the Company since 1999. Nevertheless, the board of directors believes the decision of whether to combine or separate the positions of chief executive officer and chairman will vary company to company and depend upon a company's particular circumstances at a given point in time. Accordingly, the board of directors intends to carefully consider from time to time whether the chief executive officer and chairman positions should be combined based on what the board of directors believes is best for the Company and its stockholders.

The board of directors believes that an effective leadership structure could be achieved either by combining or separating the chief executive officer and chairman positions, if the structure encourages the free and open dialogue of competing views and provides for strong checks and balances. Specifically, an effective governance structure must balance the powers of the chief executive officer and the independent directors and ensure that the independent directors are fully informed, able to discuss and debate the issues that they deem important, and able to provide effective oversight of management.

The board of directors has elected a non-management director to serve in a lead capacity ( lead independent director ) to coordinate the activities of the other non-management directors, and to perform any other duties and responsibilities that the board of directors may determine. While the board of directors elects a lead independent director, it is generally expected that he or she will serve for more than one year. Mr. Russell was elected to serve as lead independent director effective November 20, 2008.

The role of the lead independent director includes:

- presiding at non-management executive sessions, with the authority to call meetings of the independent directors;

- presiding at executive sessions;

- functioning as principal liaison on Board-wide issues between the independent directors and the Chairman;

- if requested by shareholders, ensuring that he/she is available, when appropriate, for consultation and direct communication.

The lead independent director operates under a written charter, a copy of which is available under the *Corporate Governance* / *Investor Relations* section of our website at [www.prospricing.com](http://www.prospricing.com).

The board of directors believes that the lead independent director position will balance the need for effective and independent oversight of management with the need for strong, unified leadership. The board of directors believes that this structure is in the best interest of PROS Holdings, Inc. as it will allow for a balance between the chief executive officer and chairman and the independent directors and will provide an environment in which its independent directors are fully informed, have significant input into the content of board of directors meeting agendas and are able to provide objective and thoughtful oversight of management.

### **Executive Sessions**

Executive sessions, which are meetings of the non-employee members of the board of directors, are regularly scheduled throughout the year. Non-employee directors meet by themselves, without management or employee-directors present, at every regularly scheduled in-person board of directors meeting. Non-employee directors and independent directors may hold other such sessions at the request of any non-employee director or independent director. Non-employee and independent directors shall notify the Lead Independent Director if they would like to hold such a session, and the Lead Independent Director will facilitate the scheduling of such a session. Executive sessions (whether of the non-employee directors or independent directors) will be led by Lead Independent Director.

**Oversight of Risk Management**

The board of directors oversees the Company's risk management process. Management reviews the process, including identification of key risks and steps taken to address them, with the full board of directors on a periodic basis. Although the full board of directors is responsible for this oversight function, the audit committee, the compensation committee, and the nominating and governance committee assist the board of directors in discharging its oversight duties.

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The compensation committee reviews risks related to the subject matters enumerated in its charter, including risks associated with the Company's compensation programs. The nominating and governance committee considers risks related to the subject matters for which it is responsible as identified in its charter, including risks associated with corporate governance. Similarly, the audit committee considers risks related to the subject matters enumerated in its charter, including risks relating to internal controls, disclosure, and financial reporting.

Accordingly, while each of the three committees contributes to the risk management oversight function by assisting the board of directors in the manner outlined above, the board of directors itself remains responsible for the oversight of the Company's risk management program.

**Compensation committee interlocks and insider participation**

No member of our compensation committee and none of our executive officers has any relationships that would constitute an interlocking relationship with executive officers and directors of any another entity.

**Director compensation**

Under our 2009 director compensation policy, our non-employee members of our board of directors received an annual retainer of \$27,000 and a retainer of \$13,000 if such director also serves on our audit committee or compensation committee. All fees are paid on a quarterly basis. We have also agreed to reimburse our directors for reasonable out-of-pocket expenses incurred in connection with their attendance at our board of directors or committee meetings.

In addition, each non-employee members of our board of directors received a grant of 5,000 restricted stock units, the chairman of the audit committee, the lead independent director and the chairman of the nominating and governance committee received a grant of 5,000 restricted stock units, and the chairman of the compensation committee received a grant of 2,500 restricted stock units. These grants of restricted stock units vested on January 1, 2010.

***Fiscal year 2009 director compensation table***

The following table presents the compensation details for each non-employee directors for services to us during fiscal 2009:

<b>Name</b>	<b>Fees</b>	<b>Restricted</b>	<b>Total (\$)</b>
	<b>Earned or Paid in Cash</b>	<b>Stock Units</b>	
	<b>(\$)</b>	<b>(\$)(1)</b>	
Ellen Keszler	47,500	21,450(2)	68,950
Greg B. Petersen	64,736	32,175(3)	96,911
William Russell	57,500	42,900(4)	100,400
Timothy V. Williams	58,000	42,900(4)	100,900
Mariette M. Woestemeyer	27,000	21,450(2)	48,450

- (1) These amounts represent the aggregate grant date fair value of equity awards granted in the specified fiscal year as calculated pursuant to FASB ASC Topic 718. For additional information about the valuation

assumptions with respect to equity awards, refer to Note 8 of our financial statements in our Form 10-K for the year ended December 31, 2009, as filed with the SEC. These restricted stock units were granted on March 13, 2009, vested in full on January 1, 2010 and had a grant date fair value of \$4.29

- (2) Represents 5,000 restricted stock units awarded to Mrs. Keszler and Mrs. Woestemeyer.
- (3) Represents 7,500 restricted stock units awarded to Mr. Petersen.
- (4) Represents 10,000 restricted stock units awarded to Messrs. Russell and Williams.

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The table below presents the aggregate number of outstanding shares of stock option and restricted stock units held by our non-employee directors as of December 31, 2009.

	<b>Restricted Stock Units (#)</b>	<b>Stock Option Awards (#) (1)</b>
Ellen Keszler	5,000(2)	30,000
Greg B. Petersen	7,500(2)	30,000
William Russell	20,000(3)	
Timothy V. Williams	10,000(2)	30,000
Mariette M. Woestemeyer	5,000(2)	30,000

(1) Represents option to purchase 30,000 shares of our common stock. Option awards are immediately exercisable and vest on a monthly basis over a three-year period. Messrs. Petersen and Williams and Mrs. Woestemeyer's option to purchase our common stock began vesting on June 27, 2007 and Mrs. Keszler's option to purchase our common stock began vesting on August 21, 2008.

(2) Represents restricted stock units granted on March 13, 2009 under the 2009 director compensation policy, as described above. These restricted stock units represents the contingent right to receive one share of



PROS Holdings,  
Inc. common stock  
and fully vested on  
January 1, 2010.

- (3) Represents restricted stock units granted on March 13, 2009 under the 2009 director compensation policy, as described above, and vested in full on January 1, 2010. In addition, 15,000 restricted stock units were granted to Mr. Russell on November 11, 2008, with 5,000 restricted stock units that vested on November 11, 2009 and the remaining 10,000 that vest in equal installments on November 11, 2010 and November 11, 2011. These restricted stock units represents the contingent right to receive one share of PROS Holdings, Inc. common stock.

#### **Corporate governance guidelines**

We believe in sound corporate governance practices and have adopted formal Corporate Governance Guidelines to enhance our effectiveness. Our board of directors adopted these Corporate Governance Guidelines in order to ensure that it has the necessary authority and practices in place to review and evaluate our business operations as needed and to make decisions that are independent of our management. The Corporate Governance Guidelines are also intended to align the interests of directors and management with those of our stockholders. The Corporate Governance Guidelines set forth the practices our board of directors follows, including, but not limited to, with respect to board of directors and committee composition and selection, director responsibilities, director access to officers and employees and chief executive officer performance evaluation and succession planning. A printed copy of our Corporate Governance Guidelines may be obtained by any stockholder upon sending a written request to PROS Holdings, Inc., 3100 Main Street, Suite 900, Houston, Texas 77002, Attn: Corporate Communications. A copy of our Corporate Governance Guidelines is also available under the *Corporate Governance* - *Investor Relations* section of our website at [www.prospricing.com](http://www.prospricing.com).

**Code of business conduct and code of ethics**

Our board of directors has adopted a Code of Business Conduct and Ethics that applies to all of our directors and employees. We will provide copies of our Code of Business Conduct and Ethics without charge upon request. A printed copy of our Code of Business Conduct and Ethics may be obtained by any stockholder upon sending a written request to PROS Holdings, Inc., 3100 Main Street, Suite 900, Houston, Texas 77002, Attn: Corporate Communications. Our Code of Business Conduct and Ethics is also available under the *Corporate Governance Investor Relations* section of our website at [www.prospricing.com](http://www.prospricing.com).

**Communications with our board of directors**

Stockholders or interested parties who wish to communicate with members of our board of directors, including the independent directors individually or as a group, may send correspondence to them in care of our Corporate Secretary at 3100 Main Street, Suite 900, Houston, TX 77002. Such communication will be forwarded to the intended recipient(s). We currently do not intend to have our Corporate Secretary screen this correspondence, but we may change this policy if directed by our board of directors due to the nature or volume of the correspondence.

Communications that are intended specifically for the lead independent director should be sent to the street address noted above, to the attention of the Lead Independent Director.

**Table of Contents****PROPOSAL TWO**

The audit committee of our board of directors has selected the independent registered public accounting firm of PricewaterhouseCoopers LLP to audit our consolidated financial statements for the fiscal year ending December 31, 2010 and recommends that stockholders vote for ratification of such appointment. Notwithstanding the selection and ratification, the audit committee, in its discretion, may appoint a different independent registered public accounting firm at any time, if it believes doing so would be in our best interests and the best interests of our stockholders. In the event of a negative vote on ratification, the audit committee will reconsider, but might not change, its selection.

PricewaterhouseCoopers LLP has audited our financial statements annually since 2002. Representatives of PricewaterhouseCoopers LLP are expected to be present at the meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Vote required**

Approval of the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm requires the affirmative vote of the holders of at least a majority of the outstanding shares of our common stock entitled to vote and present or represented at the meeting. A properly executed proxy marked **ABSTAIN** with respect to this matter is considered entitled to vote and thus, will have the effect of a vote against a matter.

In accordance with Delaware law, abstentions will be counted for purposes of determining both whether a quorum is present at the meeting and the total number of shares represented and voting on this proposal. While broker non-votes will be counted for purposes of determining the presence or absence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares represented and voting with respect to the particular proposal on which the broker has expressly not voted and, accordingly, will not affect the approval of this proposal.

**The board of directors unanimously recommends that stockholders vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010.**

**Summary of fees**

The audit committee has adopted a policy for the pre-approval of all audit and permitted non-audit services that may be performed by our independent registered public accounting firm. Under this policy, each year, at the time it engages the independent registered public accounting firm, the audit committee pre-approves the audit engagement terms and fees and may also pre-approve detailed types of audit-related and permitted tax services, subject to certain dollar limits, to be performed during the year. All other permitted non-audit services are required to be pre-approved by the audit committee on an engagement-by-engagement basis.

The following table summarizes the aggregate fees billed for professional services rendered to us by PricewaterhouseCoopers LLP in 2009 and 2008. A description of these various fees and services follows the table.

	<b>2009</b>	<b>2008</b>
Audit fees	\$ 445,500	\$ 567,848
Tax fees	24,508	35,000
Total fees	\$ 470,008	\$ 602,848

***Audit fees***

The aggregate fees billed to us by PricewaterhouseCoopers LLP in connection with the annual audit of our financial statements, for the reviews of our financial statements included in the quarterly reports on Form 10-Q, consents related to documents filed with the SEC and accounting and financial reporting consultations and research necessary to comply with generally accepted audit standards, were \$445,500 and \$567,848 for the years ended December 31, 2009 and 2008, respectively.

***Tax Fees***

The aggregate fees billed to us by PricewaterhouseCoopers LLP in connection with tax services were \$24,508 and \$35,000 for the years ended December 31, 2009 and 2008, respectively. Tax fees are fees for tax compliance, tax

advice and tax planning.

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The audit committee is authorized by its charter to pre-approve all auditing and permitted non-audit services to be performed by our independent registered public accounting firm. The audit committee reviews and approves the independent registered public accounting firm's retention to perform attest services, including the associated fees. The audit committee also evaluates other known potential engagements of the independent registered public accounting firm, including the scope of the proposed work and the proposed fees, and approves or rejects each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent registered public accounting firm's independence from management. At subsequent meetings, the Committee will receive updates on the services actually provided by the independent registered public accounting firm, and management may present additional services for approval. The Committee has delegated to the chairman of the audit committee the authority to evaluate and approve engagements on behalf of the Committee in the event that a need arises for pre-approval between Committee meetings. If the Chairman so approves any such engagements, he will report that approval to the full audit committee at its next meeting. During fiscal 2009, all such services were pre-approved in accordance with the procedures described above.

Our audit committee has reviewed the fees described above and believes that such fees are compatible with maintaining the independence of PricewaterhouseCoopers LLP.

Stockholder ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm is not required by our bylaws or other applicable legal requirement. However, the appointment of PricewaterhouseCoopers LLP is being submitted to the stockholders for ratification. If the stockholders fail to ratify the appointment, the audit committee will reconsider whether or not to retain the firm. Even if the appointment is ratified, the audit committee at its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be appropriate.

**Table of Contents****OTHER MATTERS**

We do not know of any other matters to be submitted at the annual meeting. If any other matters properly come before the annual meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares they represent as our board of directors recommends.

**EXECUTIVE OFFICERS**

Certain information concerning our executive officers as of the date of this proxy statement is set forth below, except that information concerning Messrs. Winemiller and Woestemeyer is set forth above under PROPOSAL ONE.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Albert E. Winemiller	67	Chairman of the Board, President and Chief Executive Officer
Charles H. Murphy	65	Executive Vice President and Chief Financial Officer
Ronald F. Woestemeyer	64	Executive Vice President, Strategic Business Planning and Director
Andres D. Reiner	39	Executive Vice President of Product and Marketing

*Charles H. Murphy* joined PROS Holdings, Inc. in 1998 and has served as our executive vice president and chief financial officer since March 2001. Prior to joining the Company, Mr. Murphy spent 13 years in chief financial officer positions with Expert Software, a publicly traded software company, Merchant International, a software company, and Packaging Machinery Company, a publicly traded manufacturer of packaging machinery. Mr. Murphy was vice president-treasurer with Coleco Industries, a publicly traded toy and video game company, and began his career with Coopers & Lybrand where he was a certified public accountant. Mr. Murphy holds a Bachelor of Science degree from Bentley College.

*Andres D. Reiner* joined PROS Holdings, Inc. in 1999 and serves as our executive vice president of product and marketing. As executive vice president of product and marketing, Mr. Reiner is responsible for product management, architecture, and development of the next generation Pricing and Revenue Optimization software products. Mr. Reiner led, and continues to contribute to, the development of the PROS Pricing Revenue Optimization (PRO) Platform, which is a set of Pricing, Forecasting, and Optimization engines that are configured to form the component-based architecture that is the foundation of the Company's products. Prior to joining the Company, Mr. Reiner held various technical and management positions in technology companies including Platinum Technology, ADAC Healthcare Information Systems, and Kinesix. Mr. Reiner holds a Bachelor of Science in Computer Science with a minor in Mathematics from the University of Houston.

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Since January 1, 2007, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeded or exceeds \$120,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers, and the transactions described below.

**Relationship with management, founders and investors**

*Ownership.* Albert E. Winemiller, our chief executive officer, president and chairman of the board of directors, and Ronald F. Woestemeyer, our executive vice president, director and one of our founders, and Mariette Woestemeyer, who is married to Mr. Woestemeyer and serves on our board of directors along with her husband, each hold more than 5% of our common stock.

*Indemnification agreements.* We have entered into indemnification agreements with each of our current directors and executive officers. These agreements require us, among other things, to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

*Employment arrangements.* We have entered into an employment agreement with each of Messrs. Winemiller, Murphy, Woestemeyer, and Reiner, our executive officers, which address, among other things, the terms of their employment.



**Table of Contents****Procedures for related party transactions**

Under our Code of Business Conduct and Ethics, our employees and officers are discouraged from entering into any transaction that may cause a conflict of interest for us. In addition, they must report any potential conflict of interest, including related party transactions, to their managers or our compliance officer who then reviews and summarizes the proposed transaction for our audit committee. Pursuant to its charter, our audit committee must then approve any related party transactions, including those transactions involving our directors. In approving or rejecting such proposed transactions, the audit committee considers the relevant facts and circumstances available and deemed relevant to the audit committee, including the material terms of the transactions, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence. Our audit committee will approve only those transactions that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our audit committee determines in the good faith exercise of its discretion.

**SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN  
BENEFICIAL OWNERS**

The following table sets forth information regarding the beneficial ownership of our common stock as of April 16, 2010, unless otherwise noted below, for the following:

each person or entity known to own beneficially more than 5% of the outstanding common stock as of the date indicated in the corresponding footnote;

each director and director nominee;

each of the persons named in the Summary Compensation table; and

all directors and executive officers as a group.

Applicable percentage of ownership is based on 26,012,124 shares of our common stock outstanding as of April 16, 2010, unless otherwise noted below, together with applicable options for each stockholder. Beneficial ownership is determined under the rules and regulations of the SEC and does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes those shares of common stock over which the stockholder has sole or shared voting or investment power. It also includes shares of common stock that the stockholder has a right to acquire within 60 days of April 16, 2010 through the exercise of any option or other right.

Unless otherwise indicated, the principal address of each of the stockholders below is c/o PROS Holdings, Inc., 3100 Main Street, Suite 900, Houston, Texas 77002.

Name of Beneficial Owner	Shares Number	Share Under Exercisable Options (1)	Total Shares Beneficially Owned	Percentage Beneficially Owned
Albert E. Winemiller (2)	1,520,100	200,000	1,720,100	6.7%
Charles H. Murphy (3)	236,100	200,000	436,100	1.7%
Ronald F. Woestemeyer (4)	4,803,043	30,000	4,833,043	18.8%
Andres Reiner (5)	65,810	149,947	215,757	0.8%
Jeff Robinson (6)	12,561	119,270	131,831	0.5%
Ellen Keszler (7)	5,000	30,000	35,000	0.1%
Greg B. Petersen (8)	12,500	30,000	42,500	0.2%
William Russell (9)	15,000		15,000	0.1%
Timothy V. Williams (10)	10,000	30,000	40,000	0.2%
Mariette M. Woestemeyer (11)	4,803,043	30,000	4,833,043	18.8%
Brown Capital Management, Inc. (12)	3,916,922		3,916,922	15.2%
FMR, LLC (13)	1,908,630		1,908,630	7.4%



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T. Rowe Price Associates, Inc. (14)	1,330,415		1,330,415	5.2%
The Guardina Life Insurance Company of America (15)	603,994		603,994	2.3%
All executive officers and directors as a group ( 10 people)	6,667,553	669,947	7,337,500	28.5%

(1) Includes only equity awards exercisable within 60 days of April 16, 2010.

(2) Consists of  
 (a) 1,500,000 shares held of record by Albert E. Winemiller Jr. 2006 Irrevocable Trust;  
 (b) 20,000 shares held of record by Debra Ann Winemiller;  
 (c) stock options to acquire 150,000 shares of our common stock, which were granted to Mr. Winemiller on April 2, 2007, which are immediately exercisable and which vested at 25% on April 2, 2008 and the remainder will vest monthly thereafter based on continued employment through April 2, 2011,  
 (d) 150,000 restricted stock units granted on

May 13, 2009  
which vest one  
third on  
May 13, 2010  
with the  
remaining two  
thirds vesting  
annually in  
equal  
installments  
over the next  
two years and  
(e) 100 shares  
held of record  
by Albert E.  
Winemiller.  
Mr. Winemiller  
disclaims  
beneficial  
ownership of  
the shares held  
of record by  
Albert E.  
Winemiller Jr.  
2006  
Irrevocable  
Trust and Debra  
Ann  
Winemiller,  
except to the  
extent of his  
pecuniary  
interest therein.  
On March 9,  
2010,  
Mr. Winemiller  
was granted  
44,000  
restricted stock  
units which vest  
annually, in  
equal  
installments,  
over a four-year  
period

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beginning on  
February 24, 2011.  
In addition,  
Mr. Winemiller was  
granted 69,000  
stock appreciation  
rights which vest at  
25% on  
February 24, 2011  
and monthly  
thereafter, in equal  
installments, over  
the next three years.  
The stock  
appreciation rights  
are settled in stock.  
In the event of a  
change in control,  
equity awards  
granted to  
Mr. Winemiller  
after April 2, 2007  
will fully vest.

- (3) Consists of
- (a) 209,350 shares held of record by Charles H. Murphy;
  - (b) 26,750 shares held of record by Emily L. Murphy,
  - (c) stock options to acquire 150,000 shares of our common stock, which were granted on April 2, 2007, which are immediately exercisable and which vested at 25% on April 2, 2008 and the remaining will vest monthly thereafter based on continued employment through April 2, 2011 and

(d) 150,000 restricted stock units granted on May 13, 2009 which vest one third on May 13, 2010 with the remaining two thirds vesting annually in equal installments over the next two years. On March 9, 2010, Mr. Murphy was granted 18,000 restricted stock units which vest annually, in equal installments, over a four-year period beginning on February 24, 2011. In addition, Mr. Murphy was granted 28,000 stock appreciation rights which vest at 25% on February 24, 2011 and monthly thereafter, in equal installments, over the next three years. The stock appreciation rights are settled in stock. In the event of a change in control, equity awards granted to Mr. Murphy after April 2, 2007 will fully vest.

- (4) Consists of
- (a) 783,043 shares held of record by Ronald F. Woestemeyer and Mariette Woestemeyer,
  - (b) 1,500,000 shares

held of record by  
Ronald F.  
Woestemeyer 2009  
Two Year Annuity  
Trust dated  
May 2009 Ronald  
F. Woestemeyer  
and Deutsche Bank  
Trust Company  
Delaware TTEE,  
(c) 1,000,000 shares  
held of record by  
Marianne M.  
Woestemeyer 2009  
Three Year Annuity  
Trust dated  
May 2009, Marianne  
M. Woestemeyer  
and Deutsche Bank  
Trust Company  
Delaware TTEE,  
(d) 1,000,000 shares  
held of record by  
DB Trust Co.  
Woestemeyer 1999  
Gift Trust, of which  
DB Trust Company  
NA is the sole  
trustee, (e) 520,000  
shares held of  
record by  
Irrevocable Trust  
Agreement between  
Ronald F.  
Woestemeyer and  
Marianne M.  
Woestemeyer,  
Deutsche Bank  
Trust Company  
Delaware is the  
trustee and (f) stock  
options held by  
Mrs. Woestemeyer  
to acquire 30,000  
shares, which are  
immediately  
exercisable.  
Mr. Woestemeyer  
disclaims beneficial  
ownership of the  
shares held of

record by the  
Marianne M.  
Woestemeyer 2009  
Three Year Annuity  
Trust dated  
May 2009, and  
Deutsche Bank  
Trust Company  
Delaware TTEE,  
the Woestemeyer  
1999 Gift Trust, the  
restricted stock  
units granted to  
Mrs. Woestemeyer  
which vest on  
January 1, 2010 and  
the shares issuable  
upon the exercise of  
the stock options  
held by  
Mrs. Woestemeyer.

- (5) Consists of
- (a) 84,310 shares held of record by Andres D. Reiner,
  - (b) 6,250 shares issuable upon the exercise of stock options granted to Mr. Reiner on February 10, 2005, which are immediately exercisable and fully vested,
  - (c) 10,782 shares issuable upon the exercise of stock options granted to Mr. Reiner on December 30, 2005, which are immediately exercisable and fully vested,
  - (d) 50,000 shares issuable upon the exercise of stock options granted to Mr. Reiner on

March 26, 2007, which 37,499 are exercisable and vested as of April 16, 2010 and continue to vest monthly until March 26, 2011, (e) 100,000 shares issuable upon the exercise of stock options granted to Mr. Reiner on November 15, 2007, which 36,666 are exercisable and vested as of April 16, 2009 and continue to vest monthly until November 1, 2012, (f) 50,000 shares issuable upon the exercise of stock options granted to Mr. Reiner on May 14, 2008, which are immediately exercisable and fully vested, (g) 50,000 restricted stock units granted to Mr. Reiner on November 11, 2008 which 16,666 vested on January 1, 2010 with the remaining 33,334 vesting annually in equal installments over the next two years. (f) 25,000 restricted stock units granted to Mr. Reiner on March 13, 2009 which 8,333 vested on March 13, 2010 with the remaining 16,667 vesting

annually in equal installments over the next two years. On March 9, 2010, Mr. Reiner was granted 30,000 restricted stock units, which vest annually, in equal installments, over a four-year period beginning on February 24, 2011. In addition, Mr. Reiner was granted 20,000 stock appreciation rights which vest at 25% on February 24, 2011 and monthly thereafter, in equal installments, over the next three years. The stock appreciation rights are settled in stock.

- (6) Consists of
- (a) 12,561 shares held of record by Jeffrey E. Robinson, (b) 938 shares issuable upon the exercise of stock options granted to Mr. Robinson on December 30, 2005, which are immediately exercisable and fully vested,
  - (c) 35,417 shares issuable upon the exercise of stock options granted to Mr. Robinson on March 26, 2007, which 22,916 are exercisable and



vested as of April 16, 2010 and continue to vest monthly until March 26, 2011,  
(d) 100,000 shares issuable upon the exercise of stock options granted to Mr. Robinson on November 15, 2007, which 36,666 are exercisable and vested as of April 16, 2009 and continue to vest monthly until November 1, 2012.,  
(e) 50,000 shares issuable upon the exercise of stock options granted to Mr. Robinson on May 14, 2008, which are immediately exercisable and fully vested,  
(f) 50,000 restricted stock units granted to Mr. Robinson on November 11, 2008 which 16,666 vested on January 1, 2010 with the remaining 33,334 vesting annually in equal installments over the next two years and (g)  
25,000 restricted stock units granted to Mr. Robinson on March 13, 2009 which 8,333 vested on March 13, 2010 with the remaining 16,667 vesting annually in equal installments over the next two years.

Mr. Robinson was no longer an executive officer for purposes of Item 402 of Regulation S-K as of October 1, 2009.

(7) Consists of 5,000 shares held of record by Ellen Keszler and 30,000 shares issuable upon the exercise of stock options granted to Mrs. Keszler on August 21, 2008, which are immediately exercisable and which vest in equal monthly installments over a three-year period. On March 9, 2010, Mrs. Keszler was granted 5,000 restricted stock units, which vest on January 1, 2011. In the event of a change in control, the restricted stock units fully vest.

(8) Includes 12,500 shares held of record by Greg Petersen and 30,000 shares issuable upon the exercise of stock options granted to Mr. Petersen on June 27, 2007, which are immediately exercisable and which vest in equal monthly

installments over a three-year period. On March 9, 2010, Mr. Petersen was granted 7,500 restricted stock units, which vest on January 1, 2011. In the event of a change in control, the restricted stock units fully vest.

- (9) Includes 15,000 shares held of record by William Russell. On November 11, 2008, Mr. Russell was granted 15,000 restricted stock units which vest annually in equal installments over a three-year period. As of April 16, 2009, 10,000 shares remained unvested in this grant. On March 9, 2010, Mr. Russell was granted 10,000 restricted stock units, which vest on January 1, 2011. In the event of a change in control, the restricted stock units fully vest.

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- (10) Includes 10,000 shares held of record by Timothy V. Williams and 30,000 shares issuable upon the exercise of stock options granted to Mr. Williams on June 27, 2007, which are immediately exercisable and which vest in equal monthly installments over a three-year period. On March 9, 2010, Mr. Williams was granted 10,000 restricted stock units, which vest on January 1, 2011. In the event of a change in control, the restricted stock units fully vest.
- (11) Consists of
- (a) 783,043 shares held of record by Ronald F. Woestemeyer and Mariette Woestemeyer,
  - (b) 1,500,000 shares held of record by Ronald F. Woestemeyer 2009 Two Year Annuity Trust dated May 2009 Ronald F. Woestemeyer and Deutsche Bank Trust Company Delaware TTEE,
  - (c) 1,000,000 shares held of

record by Mariette M. Woestemeyer 2009 Three Year Annuity Trust dated May 2009, Mariette M. Woestemeyer and Deutsche Bank Trust Company Delaware TTEE, (d) 1,000,000 shares held of record by DB Trust Co. Woestemeyer 1999 Gift Trust, of which DB Trust Company NA is the sole trustee (e) 520,000 shares held of record by Irrevocable Trust Agreement between Ronald F. Woestemeyer and Mariette M. Woestemeyer, Deutsche Bank Trust Company Delaware is the trustee, and (f) stock options held by Mrs. Woestemeyer to acquire 30,000 shares, which are immediately exercisable. Mrs. Woestemeyer disclaims beneficial ownership of the shares held of record by 2009 Two Year Annuity Trust dated May 2009 Ronald F. Woestemeyer and Deutsche Bank Trust Company Delaware TTEE and Woestemeyer

1999 Gift Trust. On March 9, 2010, Mrs. Woestemeyer was granted 5,000 restricted stock units, which vest on January 1, 2011. In the event of a change in control, the restricted stock units fully vest.

(12) According to information contained in the Schedule 13G/A filed by Brown Capital Management, Inc. with the SEC on January 27, 2010, Brown Capital Management, Inc. reported that that it or certain of its affiliates beneficially owned 3,916,922 shares of our common stock of December 31, 2009, and they had (a) sole voting power to direct the vote of 2,090,612 shares of our common stock and (b) sole dispositive power with respect to 3,916,922 shares of our common stock.

(13) According to information contained in the Schedule 13G filed by FMR LLC with the SEC on February 16, 2010, FMR LLC reported that it or certain of

its affiliates  
beneficially owned  
1,908,630 shares of  
our common stock  
as of December 31,  
2009 and that they  
had (a) sole voting  
power to direct the  
vote of 675,523  
shares of our  
common stock and  
(b) sole dispositive  
power with respect  
to 1,908,630 shares  
of our common  
stock.

- (14) According to  
information  
contained in the  
Schedule 13G filed  
by T. Rowe Price  
Associates, Inc.  
with the SEC on  
February 11, 2010,  
T. Rowe Price  
Associates, Inc.  
reported that it or  
certain of its  
affiliates  
beneficially owned  
1,330,415 shares of  
our common stock  
as of December 31,  
2009 and that they  
had (a) sole voting  
power to direct the  
vote of 303,631  
shares of our  
common stock and  
(b) sole dispositive  
power with respect  
to 1,330,415 shares  
of our common  
stock.

- (15) According to  
information  
contained in the  
Schedule 13G filed  
by The Guardian

Life Insurance Company of America with the SEC on February 11, 2010, The Guardian Life Insurance Company of America reported that it or certain of its affiliates beneficially owned 603,994 shares of our common stock as of December 31, 2009 and that they had (a) sole voting power to direct the vote of none of the shares of our common stock and (b) sole dispositive power with respect to none shares of our common stock.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act, requires our directors and executive officers, among others, to file with the SEC and the NYSE an initial report of ownership of our common stock on a Form 3 and reports of changes in ownership on a Form 4 or a Form 5. Persons subject to Section 16 are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file related to transactions in our common stock. Under SEC rules, certain forms of indirect ownership and ownership of our common stock by certain family members are covered by these reporting requirements. As a matter of practice, our administrative staff assists our directors and executive officers in preparing initial ownership reports and reporting ownership changes and typically files these reports on their behalf.

Based on a review of the copies of such forms in our possession, and on written representations from reporting persons, we believe that during 2009, all of our executive officers and directors filed the required reports on a timely basis under Section 16(a), except a late Form 4 report was filed by Andres Reiner on January 5, 2009 to report the sale of shares in 2008 pursuant to a Rule 10b5-1 plan; a late Form 4 report was filed by Albert Winemiller and Charles Murphy on May 18, 2009 to report the grant of restricted stock units by PROS Holdings Inc.; a late Form 4 report was filed by Jeff Robinson on June 11, 2009 to report the sale of shares pursuant to a Rule 10b5-1 plan; and a late Form 4 report was filed by William Russell on December 3, 2009 to report the vesting of restricted stock units granted by PROS Holdings Inc.



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**COMPENSATION DISCUSSION AND ANALYSIS**

*The following discussion and analysis of compensation arrangements of our named executive officers should be read together with the compensation tables and related disclosures set forth below.*

The goals of our executive compensation program are to:

attract, motivate and retain talented and experienced executives in the pricing and revenue software market;

align the interests of our executive officers and stockholders by motivating executive officers to improve company performance and increase stockholder value;

compensate our executives to manage our business to meet our long-term objectives.

The responsibility for establishing, administering and interpreting our policies governing the compensation and benefits for our executive officers lies with our compensation committee, which consists entirely of non-employee directors. Our compensation committee has taken the following steps to ensure that our executive compensation and benefit policies are consistent with both our compensation philosophy and our corporate governance guidelines:

evaluated our executive compensation practices and assisted in developing and implementing the executive compensation programs;

established a practice, in accordance with the rules of the NYSE, of reviewing the performance and determining the compensation earned, paid or awarded to our chief executive officer independent of input from him; and

established a policy, in accordance with the rules of the NYSE, to review on an annual basis the performance of our other executive officers with assistance from our chief executive officer and determining what we believe to be appropriate total compensation for these executive officers.

In 2008 and 2009, our compensation committee did not rely on any benchmark studies of comparable companies in establishing executive compensation. Rather, the compensation committee relied upon the experience and expertise of management and the members of our compensation committee to adopt executive compensation programs. The compensation committee has engaged an independent executive compensation firm to assist in providing guidance on future executive compensation matters.

Our compensation committee typically invites our chief executive officer and chief financial officer to attend meetings of the compensation committee. During deliberations of compensation decisions relating to our executive officers, the compensation committee considers the recommendations of our chief executive officer and chief financial officer. The compensation committee then separately deliberates and makes determinations about executive compensation, for persons other than the chief executive officer, in executive session. The chief executive officer is typically present during some portion of these deliberations.

For compensation decisions regarding our chief executive officer and chief financial officer, our compensation committee discusses with the chief executive officer his current compensation and his perspective on his compensation for the upcoming year. The compensation committee then deliberates and determines the compensation of the chief executive officer in executive session outside of the presence of any executive officer, including our chief executive officer. The compensation committee then communicates its decision on his compensation to him through the whole compensation committee or the chairman of the compensation committee.

The compensation committee takes into consideration general economic and market conditions, our financial condition and operating results, our operating plan, our geographic location and the objectives of our executive compensation policies described below. In 2009, our compensation committee did not prescribe individualized objectives or performance criteria by which to evaluate the executive officers' performance or contribution to specific items of corporate performance. The compensation committee considered the executive officers' individual performances in 2008 and earlier years as representative of their continuing ability to perform the functions and to fulfill the responsibilities of their respective positions.

Our compensation committee establishes executive compensation programs that the compensation committee believes, based on the members' experience, is the most appropriate to achieve the goals described above. Our compensation committee will continue to evaluate our executive compensation programs on a quantitative and qualitative basis on at least a yearly basis or as circumstances dictate. Our compensation committee expects to make new awards and adjustments to our executive compensation programs on an annual basis.

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Our named executive officers include our principal executive officer, principal financial officer and two other executive officers who earned or were paid in excess of \$100,000 during 2009. Although Mr. Robinson is no longer an executive officer for the purposes of Item 402 of Regulation S-K as of October 1, 2009, he is included in the executive compensation analysis as if he were an executive officer as of December 31, 2009.

***Components of executive compensation******Base salaries***

We use base salaries primarily to retain our executives. Base salaries for our executive officers are reviewed on a yearly basis. In February 2009, the compensation committee reviewed the responsibilities and performance of Messrs. Winemiller, Murphy, Woestemeyer and Reiner, their tenure with us, their existing compensation packages and their expected contributions and responsibilities for 2009. Based on this review, the current global economic challenges and our actions to more closely manage its expenses, the compensation committee elected not to increase the base salaries of the named executive officers for 2009. Messrs. Winemiller, Murphy, Woestemeyer and Reiner base salaries for 2009 were \$340,000, \$300,000, \$233,750 and \$210,000, respectively. On July 6, 2009, the board of directors promoted Mr. Reiner, to the position of executive vice president. In connection with such appointment, the compensation committee reviewed Mr. Reiner's existing compensation package and expected contributions and responsibilities. Based on that review, the compensation committee approved an increase in the base salary of Mr. Reiner from \$210,000 to \$250,000 for the year 2009.

***Cash incentive***

We have a cash incentive plan for our executive officers under which cash incentive payments may be made after the end of each year based on our performance against our corporate objectives for the year. These cash incentive payments are intended to compensate our executive officers for achievement of our corporate financial goals. The cash incentive payments are generally paid in the first quarter following completion of a given year. Our compensation committee does not have the discretion to increase the targets or decrease the amounts payable to any of our executives, but it does have the discretion to lower the targets and increase the amounts payable under this cash incentive plan. Traditionally, the committee has not exercised this discretion nor did it do so in 2009.

Each component of this cash incentive plan is independent of the other components and has minimum target and maximum target levels. The target incentive payment amounts are payable under this cash incentive plan if we hit our target levels for each component. Actual results between the minimum, target and the maximum goal levels would be pro-rated. We use our cash incentive plan to align our executive's performance with our financial results and to motivate our executives to achieve annual goals.

**2009 Cash Incentive Plan.** In February 2009, our compensation committee approved our Named Executive Officer Plan ( 2009 NEO Plan ) cash incentive plan. The 2009 NEO Plan set target incentive payment amounts based upon three components: (i) revenue, (ii) non-generally accepted accounting principles, or non-GAAP, operating income, and (iii) discretionary. Each of the components is independent of the others, but the weighting of the components as they relate to potential incentive payments is set forth in the following table:

<b>Component</b>	<b>Weighting of component as a % of bonus payment</b>
Revenue	45.0%
Non-GAAP operating income (1)	45.0%
Discretionary	10.0%
(1) Non-GAAP operating income represents GAAP	

operating  
income less  
stock-based  
compensation  
charges as  
described in  
ASC 718.

The compensation committee felt that increasing the weighting of the revenue and non-GAAP operating income components of the 2009 NEO Plan would heighten management's focus on maximizing our revenues and profitability during the 2009 fiscal year.

To align with the Company's reporting standards, the revenue and non-GAAP operating income components of the 2009 NEO Plan were set on a quarterly basis by the compensation committee and those components were measured at the end of each quarterly period against actual financial results. There is a cumulative annual performance calculation for those two components. The discretionary component was determined by the compensation committee on an annual basis at the end of the Company's fiscal year. The maximum for the discretionary component was 20%. The payments were made in 2010.

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The potential payouts under the 2009 NEO Plan were based on our performance as a company within a range of each component's target. No incentive payment was to be earned below the target threshold and the maximum bonus was to be earned at the target maximum. The ranges for each component are set forth in the following table:

<b>Component</b>	<b>Target minimum (in millions)</b>	<b>Target maximum (in millions)</b>
Revenue	\$ 67.2	\$ 70.4
Non-GAAP operating income	9.9	12.1

The following table sets forth our revenue and non-GAAP operating income targets for 2009:

<b>Component (In millions)</b>	<b>Target</b>
Revenue	\$69.0
Non-GAAP operating income	11.7

The compensation committee set the amount of each incentive payment as a percentage of the base salary of each executive officer as set forth in the following table:

<b>Executive officer</b>	<b>At target threshold</b>	<b>At target</b>	<b>At target maximum</b>
Albert E. Winemiller	50%	100%	150%
Charles H. Murphy	40%	80%	120%
Ronald F. Woestemeyer	22.5%	45%	67.5%
Andres D. Reiner (1)	30%	60%	90%

(1) On July 6, 2009, in connection with Mr. Reiner's promotion to the position of Executive Vice President, Mr. Reiner's bonus payment as percentage of base salary was changed from previously reported at target percentage of 50% and at target maximum percentage of 100% of his base salary to at

target  
percentage of  
60% and at  
target maximum  
percentage of  
90%.

Under the 2009 NEO Plan, each executive officer, except Mr. Reiner, achieved 115% of the target payout as presented above. Mr. Reiner achieved 120% of the target payout as presented above.

Executive compensation activities in 2010. The Named Executive Officer Plan for 2010 sets target bonus amounts and performance criteria for participants. The performance criteria, the criteria's weighting and the general terms of the Named Executive Officer Bonus Plan for 2010 are consistent with the Company's 2009 NEO Plan as described above, except that the performance targets under the Named Executive Officer Bonus Plan for 2010 is measured at the end of each six month period.

*Long-term incentive award programs*

Our base salary and cash incentive plan are intended to compensate and motivate for the short-term. Our compensation committee believes that our executive officers participating in our equity incentive plans will encourage long-term performance and help to further align their interests with those of our stockholders. In the past, our compensation committee has granted stock options and restricted stock units.

The Company provides equity awards under its 2007 equity incentive plan. Under the 2007 equity incentive plan, the company may provide incentives through the grant of: (i) restricted stock awards; (ii) restricted stock unit awards; (iii) stock options; (iv) stock appreciation rights; (v) phantom stock; and (vii) performance awards. As of December 31, 2009, there has not been any issuance of restricted stock awards, stock appreciation rights, phantom stock or performance awards under the 2007 equity incentive plan. The Company does not apply mandatory holding periods with respect to stock acquired upon exercise of stock options or vesting of restricted stock units.

The compensation committee believes that the use of equity awards offers the best approach to achieve our compensation goals with respect to long-term incentives and currently provides tax and other advantages to our executive officers relative to other forms of equity compensation. As of December 31, 2009, we have granted stock options and restricted stock units since we believe that these types of equity awards are competitive in our industry and are best understood by our executive officers.

In 2009, the compensation committee determined the size of annual awards based upon the committee's subjective assessment of the incentive value of the executive officers' respective total equity interests relative to their roles in the company and their levels of vested and unvested shares. We believe that our equity incentive program is an important retention tool for our executive officers.

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During 2009, the compensation committee conducted an annual review of the compensation packages of our executive officers, including the retention value of their compensation components, their contributions to our business and their ability to continue to provide leadership to us and to maintain our success. The compensation committee believed it was in our best interests to provide additional equity awards to our executive officers to incentivize them and to provide additional retention value. In May 2009, we granted to each of our chief executive officer and chief financial officer 150,000 restricted stock units. In addition, we granted Mr. Reiner 25,000 restricted stock units in March 2009. Mr. Woestemeyer was not granted any stock options at this time because the compensation committee believed that his significant equity ownership was sufficient for motivation and retention.

**Security Ownership Guidelines.** All executive officers are required to hold at least \$100,000 worth of the Company's stock, and/or the units issued as compensation for service, while serving as an executive officer of the Company. New executive officers will have five years to attain this ownership threshold. Shares, units or unexercised options held by an executive officer under any of the Company's equity incentive plans are included in calculating the value of ownership to determine whether this minimum ownership requirement has been met.

**1999 equity incentive plan.** Our 1999 equity incentive plan ( 1999 plan ) authorized us to grant options to purchase shares of common stock to our employees, directors and consultants at our discretion. Our 1999 plan was terminated in March 2007 for purposes of granting any future equity awards. There were issued and outstanding stock options to purchase 99,610 shares of our common stock under this plan on December 31, 2009. None of these options were held by executive officers.

**2007 equity incentive plan.** Our 2007 equity incentive plan ( 2007 plan ) was adopted in March 2007. The purpose of the 2007 plan is to promote our long-term growth and profitability. The 2007 plan is intended to make available incentives that will help us to attract, retain and reward employees whose contributions are essential to our success. Under the 2007 plan, our employees, officers, directors and other individuals providing services to us or any our affiliates are eligible to receive awards. The 2007 plan has an evergreen provision that allows for an annual increase equal to the lesser of (i) 3.5% of our outstanding shares (ii) 900,000 shares or (iii) any lesser amount determined by the compensation committee of the board of directors. We may provide these incentives through the grant of: (i) restricted stock awards; (ii) restricted stock unit awards; (iii) stock options; (iv) stock appreciation rights; (v) phantom stock; and (vii) performance awards.

In February 2009, we increased the number of shares available to grant by 898,000 under the evergreen provision in our 2007 plan increasing the number shares reserved for issuance to 3,668,000. On March 9, 2010, we further increased the number of shares available by 900,000 under the evergreen provision in our 2007 equity incentive plan increasing the number of shares reserved for issuance to 4,568,000. As of December 31, 2009, we had outstanding equity awards to acquire 3,587,917 shares of its common stock held by our employees, directors and consultants under the 2007 plan. Included in such outstanding equity awards is 1,331,500 restricted stock units held by our employees, directors and consultants. As of December 31, 2009, 35,857 shares remained available for grant under the 2007 plan. As of December 31, 2009, there has not been any issuance of restricted stock awards, stock appreciation rights, phantom stock or performance awards under this plan.

Stock options generally have a ten-year term and typically vest over three to four years of which 99,610 are related to the 1999 equity incentive plan and 2,256,417 are related to the 2007 plan. In addition, there are 1,331,500 restricted stock units outstanding under the 2007 plan.

**Stock options.** Our 2007 plan permits the granting of options to purchase shares of our common stock intended to qualify as incentive stock options, under Section 422 of the Internal Revenue Code, and nonqualified stock options. The option exercise price and the term of each option are determined by the compensation committee. The compensation committee also determines at what time or times each option may be exercised and the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. The compensation committee, as plan administrator, can determine vesting for grants which generally expire ten years after the date of the grant.

**Stock appreciation rights.** The compensation committee may grant a right to receive a number of shares or, in the discretion of the compensation committee, an amount in cash or a combination of shares and cash, based on the increase in the fair market value of the shares underlying the right during a stated period specified by the

compensation committee.

*Restricted stock awards and units.* The compensation committee may award shares of our common stock to participants at no cost or for a purchase price or restricted stock units that are settled in shares of our common stock. These restricted stock and restricted stock unit awards may be subject to restrictions or may be free from any restrictions under our 2007 plan. The purchase price of the shares, if any, and any applicable restrictions, are determined by the compensation committee.



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*Phantom stock.* The compensation committee may grant stock equivalent rights, or phantom stock, which entitles the recipient to receive credits which are ultimately payable in the form of cash, shares of our common stock or a combination of both. Phantom stock does not entitle the holder to any rights as a stockholder.

*Performance awards.* The compensation committee may grant performance awards to participants entitling the participants to receive cash, shares of our common stock or a combination of both, upon the achievement of performance goals and other conditions determined by the compensation committee. The performance goals may be based on our operating income or on one or more other business criteria selected by the compensation committee.

In the event of any stock split, stock dividend or similar transaction, the shares subject to the 2007 plan and any outstanding awards will automatically be adjusted. The 2007 plan will continue in effect until the tenth anniversary of its approval by our board, unless earlier terminated earlier. The compensation committee may amend, terminate or modify the plan at any time.

In the event of certain significant corporate transactions, including a change in control of the Company, any then-outstanding equity award or option under the 2007 plan may be assumed, continued or substituted for by any surviving or acquiring entity (or its parent company). If the surviving or acquiring entity (or its parent company) elects to assume, continue or substitute for such awards or options and the holder of such award or option is terminated without cause or resigns for good reason within 18 months of a change of control of the Company, such awards or options shall vest in full. If the surviving or acquiring entity (or its parent company) elects not to assume, continue or substitute for the equity awards or options under the 2007 plan, all outstanding equity awards and options under the 2007 plan will vest in full and become fully exercisable.

*Benefits.* We provide our executive officers the following benefits, generally on the same terms as we provide our other employees.

- health, dental, travel, accident insurance and vision;
- life insurance;
- employee assistance plan;
- medical and dependent care flexible spending account;
- short-and long-term disability, accidental death and dismemberment;
- a 401(k) plan;
- paid time off and vacations;
- sick days; and
- tuition reimbursement.

We believe these benefits are consistent with companies with which we compete for employees.

*401(k) Plan.* In May 1996, we adopted a tax-qualified employee savings and retirement plan, or 401(k) plan, which generally covers our full-time employees. The plan is intended to qualify under Section 401(a) of the Internal Revenue Code. Contributions, and income earned thereon, are not taxable to employees until withdrawn from this plan. Under this plan, employees may elect to reduce their current compensation up to the statutorily prescribed annual limit and have the amount of the reduction contributed to the plan. This plan also permits us to make matching contributions to the plan on behalf of participants. Historically, the Company's matching contribution is defined as 50% of the first 6% of employee contributions. The Company may also make discretionary contributions. The Company temporarily discontinued the matching contribution in 2009 as a result the economic conditions during 2009. The Company is planning to reinstate the 401(k) matching contribution in the future upon achievement of certain performance targets.

***Severance and termination provisions***

We provide our executive officers severance packages if they are terminated without cause (as defined in their employment or severance agreements) in order to attract and retain them. The amount of severance benefits is described below. The compensation committee reviews the potential payouts to ensure their market-competitiveness in order to incentivize our executive officers to maintain focus on both daily and long-term efforts.

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On March 24, 2009, the Company entered into a First Amendment of Employment Agreement with Mr. Reiner. The First Amendment of Employment Agreement with Mr. Reiner would provide for payment of (i) any unpaid bonus earned prior to the termination relating to completed bonus periods preceding the date of termination, and (ii) the payment of a bonus at one hundred percent of performance targets, including discretionary components, within the bonus plan in effect as if employed by the Company for twelve months. The unpaid bonus described in subsection (i) shall be paid on or about termination and the bonus as described in subsection (ii) shall be payable in equal installments during the twelve month period following termination. Such bonuses are payable if Mr. Reiner is terminated by us without cause, as defined in the agreement or by Mr. Reiner for good reason, as defined in the agreement.

On March 24, 2009, the Company entered into a Second Amendment of Employment Agreement with Messrs. Winemiller and Murphy. The Second Amendment of Employment Agreement will provide Messrs. Winemiller and Murphy with payment of (i) any unpaid bonus earned prior to the termination relating to completed bonus periods preceding the date of termination, and (ii) the payment of a bonus at one hundred percent of performance targets, including discretionary components, within the bonus plan in effect as if employed by the Company for twelve months. The unpaid bonus described in subsection (i) shall be paid on or about termination and the bonus as described in subsection (ii) shall be payable in equal installments during the twelve month period following termination. Such bonuses are payable if Messrs. Winemiller and Murphy are terminated by us without cause, as defined in the agreement or by Mr. Winemiller or Mr. Murphy, as applicable, for good reason, as defined in the agreement. In addition, the amended employment agreements provides for the payment of (i) any unpaid bonus earned prior to the termination relating to completed bonus periods preceding the date of termination, and (ii) the payment of a bonus at one hundred percent of performance targets, including discretionary components, within the bonus plan in effect as if employed by the Company for eighteen months if such officer is terminated without cause or if such officer resigns for good reason within six months prior to or any time after a change in control transaction of the Company. Messrs. Winemiller and Murphy are subject to non-competition and non-solicitation restrictions during the term of their employment and for the 12-month period following the termination of their employment.

We entered into employment agreement with Mr. Reiner, our current executive vice president, on April 24, 2008. This agreement is for a two-year term and automatically renews for one-year terms unless the Company decides not to renew. The base salary payable to Mr. Reiner is subject to periodic review by our compensation committee. Mr. Reiner is entitled to 12 months of severance, up to 12 months of health benefits and acceleration of the vesting of his stock options or other equity awards with respect to shares comprising fifty percent of the unvested shares under such stock options or other equity awards as of the date of termination. Mr. Reiner is subject to non-competition and non-solicitation restrictions during the term of his employment and for the 12-month period following the termination of his employment.

We entered into employment agreements with Mr. Winemiller, our chief executive officer, and Mr. Murphy, our chief financial officer, on September 30, 2005. Both of these agreements were originally for a two-year term and automatically renew for one-year terms unless the Company decides not to renew them. The base salaries payable to each of Messrs. Winemiller and Murphy are subject to periodic review by our compensation committee. Both Messrs. Winemiller and Murphy are entitled to 12 months of severance, up to 12 months of health benefits and 12 months of acceleration of the vesting on their stock options granted prior to April 2, 2007 if their employment with us is terminated without cause or they resign with good reason, as defined in those agreements. On April 2, 2007, our board amended these employment agreements to also provide for the full acceleration of vesting, or lapse of all repurchase rights, of any options or other equity awards granted to these executive officers on or after April 2, 2007, if any of these officers is terminated without cause, resigns for good reason or if a change of control of the Company occurs. In addition, the amended employment agreements provide for 18 months of severance and 18 months of health benefits if such officer is terminated without cause or if such officer resigns for good reason within six months prior to or any time after a change in control transaction of the Company. Messrs. Winemiller and Murphy are subject to non-competition and non-solicitation restrictions during the term of their employment and for the 12-month period following the termination of their employment.

In January 1999, we entered into an employment agreement with Mr. Woestemeyer, our executive vice president. This agreement was originally for a two-year term and automatically renews for one-year terms unless the Company decides not to renew. Under this agreement, Mr. Woestemeyer's salary is subject to periodic review by our compensation committee, and he is entitled to 12 months of severance if he is terminated without cause as defined in his agreement or we decide not to renew his agreement without giving him notice. If we decide not to renew this agreement and we provide 60-days notice of non-renewal to Mr. Woestemeyer, he is entitled to 10 months of severance. In addition, Mr. Woestemeyer is subject to non-competition and non-solicitation restrictions during the term of his employment and for the severance period following the termination of his employment.

Cause is defined in these employment agreements as a breach by our officer of his duties of confidentiality which causes a material harm to us, his conviction of, or a plea of guilty or no contest to, a felony or his failure to perform his duties after notice and a cure period. In addition, for Messrs. Winemiller, Murphy and Reiner, cause also includes an intentional wrongdoing by them that adversely affects us. Messrs. Winemiller, Murphy and Reiner can resign for good reason and be entitled to severance. Good reason is defined in their employment agreements as the assignment of duties to them that are substantially inconsistent with their current roles with us, the relocation of their offices to more than 50 miles from our present location, a material reduction in their base salaries and our failure to provide them with similar benefits that we provide to our other employees.

**Table of Contents*****Tax considerations***

We are subject to Internal Revenue Code Section 162(m), which limits the amount that we may deduct for compensation paid to our chief executive officer and to each of our four most highly compensated officers to \$1,000,000 per person per year, unless certain exemption requirements are met. Exemptions to this deductibility limit may be made for various forms of performance-based compensation approved by our stockholders. In addition to salary and bonus compensation that is not performance-based, the exercise of stock options may cause an officer's total compensation to exceed \$1,000,000. However, compensation from options that meet certain requirements will be exempt from the \$1,000,000 cap on deductibility. In the past, annual cash compensation to our executive officers has not exceeded \$1,000,000 per person. Although we do not currently anticipate such compensation to exceed the \$1,000,000 limit, our officer compensation could in the future exceed this limit, and we may not be able to deduct the compensation amount in excess of \$1,000,000. While the compensation committee cannot predict how the deductibility limit may impact our compensation program in future years, the compensation committee intends to maintain an approach to executive compensation that strongly links pay to performance.

**COMPENSATION COMMITTEE REPORT**

The compensation committee has reviewed and discussed the preceding Compensation Discussion and Analysis section of this proxy statement with our management. Based on this review and discussion, the compensation committee recommended to our board of directors that the Compensation Discussion and Analysis be included in our proxy statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2009.

**THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

Greg B. Petersen, Chairman

Timothy V. Williams

William Russell

**EXECUTIVE COMPENSATION****Summary compensation table**

The following table presents the compensation paid to or earned by our chief executive officer, our chief financial officer and our highest compensated executive officers (collectively, our Named Executive Officers) during 2009.

Name and Principal Position	Year	Salary (\$)	Non-equity	Restricted	Option Awards (\$)(2)	All Other	Total (\$)
			Incentive Plan Compensation (\$)(1)	Stock Units (\$)(2)		Compensation (\$)(3)	
Albert E. Winemiller <i>President and Chief Executive Officer</i>	2009	340,000	390,541	823,500(6)		6,817	1,560,858
	2008	340,000	301,334			13,074	654,408
	2007	300,000	438,000		739,500(9)	13,974	1,491,474
Charles H. Murphy <i>Executive Vice President and Chief Financial Officer</i>	2009	300,000	275,676	823,500(6)		5,345	1,404,521
	2008	300,000	212,706			11,145	523,851
	2007	275,000	321,750		739,500(9)	12,803	1,349,053
Ronald F. Woestemeyer <i>Executive Vice President</i>	2009	233,750	120,824			10,672	365,246
	2008	233,750	93,226			13,054	340,030
	2007	233,750	154,275			17,194	405,219

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Andres Renier <i>Executive Vice President - Product and Marketing</i>	2009	250,000(5)	179,798	107,250(7)		9,308	546,356
	2008	210,000	93,059	275,500(8)	284,000(10)	15,732	878,291
	2007	182,000	163,800		1,047,500(11)	5,460	1,398,760
Jeff Robinson (4) <i>Senior Vice President, Pricing</i>	2009	210,000	106,206	107,250(7)		11,641	435,097
	2008	210,000	93,059	275,500(8)	284,000(10)	16,094	878,653
	2007	182,000	163,800		1,047,500(11)	5,460	1,398,760

(1) Amounts shown in this column represent cash bonuses paid in the indicated year under the applicable Named Executive Officer Bonus Plan.

(2) These amounts represent the aggregate grant date fair value of equity awards granted in the specified fiscal year as calculated pursuant to FASB ASC Topic 718. For additional information about the valuation assumptions with respect to equity awards, refer to Note 8 of our financial statements in our Form 10-K for the year ended December 31, 2009, as filed

with the SEC.

- (3) Represents matching contributions for each individual's 401(k) plan contributions, life insurance premiums and health insurance.
- (4) Mr. Robinson is no longer an executive officer for purposes of Item 402 of Regulation S-K as of October 1, 2009. Mr. Robinson maintains a leadership position within the Company's pricing sales organization.
- (5) On July 6, 2009, in connection with Mr. Reiner's promotion to the position of executive vice president, Mr. Reiner's base salary was increased from \$210,000 to \$250,000 for the year 2009.

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- (6) Represents 150,000 restricted stock units awarded to Messrs. Winemiller and Murphy on May 13, 2009. The restricted stock units vest annually in one third installments on the date of grant and have a grant date fair value of \$5.49.
  
- (7) Represents 25,000 restricted stock units awarded to Messrs. Reiner and Robinson on March 13, 2009. The Restricted Stock Units vest annually in one third installments on the date of grant and have a grant date fair value of \$4.29.
  
- (8) Represents 50,000 restricted stock units awarded to Messrs. Reiner and Robinson on November 11, 2008. The restricted stock units vest as follows: 16,666 restricted stock units will vest on January 1, 2010, 16,667 restricted stock units will vest on January 1, 2011, and 16,667 restricted stock units will vest on January 1, 2012. These restricted stock units have a

grant date fair value  
of \$5.51.

- (9) Represents 150,000 options awarded to Messrs. Winemiller and Murphy on April 2, 2007. They are immediately exercisable and vested 25% on April 2, 2008 with the remaining options vesting monthly, in equal installments, thereafter based on continued employment through April 2, 2011. These options have a grant date fair value of \$4.93.
- (10) Represents 50,000 options awarded to Messrs. Reiner and Robinson on May 14, 2008. They vest monthly, in equal installments, over an 18 month period from the date of grant. These options have a grant date fair value of \$5.68.
- (11) Represents 50,000 and 100,000 options awarded to Messrs. Reiner and Robinson on March 26, 2007 and November 15, 2007, respectively. The options granted on March 26, 2007 vest at 25% on March 26, 2008 with the remaining



options vesting monthly, in equal installments, thereafter over a three year period. These options will be fully vested on March 26, 2011. These options have a grant date fair value of \$4.93. The options granted on December 30, 2005 vest at 25% on December 30, 2006 with the remaining options vesting monthly, in equal installments, thereafter over a three year period. These options will be fully vested on December 30, 2009. These options have a grant date fair value of \$8.01.

#### Grants of plan-based awards for 2009

The Company awards bonuses pursuant to a 2009 Bonus Plan, which provides for the award of annual cash bonuses, based upon threshold, target and maximum payout amounts. Please see Compensation Discussion and Analysis Components of executive compensation for 2009 Executive compensation activities in 2009 for additional information on the 2009 Bonus Plan. The actual amount paid to each named executive officer for the fiscal year ended December 31, 2009 is set forth in the Summary Compensation Table under the heading, Non-Equity Incentive Plan Compensation.

The following table presents information relating to a 2009 Bonus Plan awards granted to our Named Executive Officers in 2009.

Name	Grant Date	Estimated Payouts under Non-equity Incentive Plan Awards		
		Threshold (\$)	Target (\$)	Maximum (\$)
Albert E. Winemiller	2/25/2009	170,000	340,000	510,000
Charles H. Murphy	2/25/2009	120,000	240,000	360,000
Ronald F. Woestemeyer	2/25/2009	52,594	105,188	157,781
Andres Reiner	7/9/2009	75,000	150,000	225,000
Jeff Robinson	2/25/2009	52,500	105,000	210,000



**Table of Contents****Outstanding equity awards at fiscal 2009 year-end**

The following table presents the number of shares covered by exercisable and unexercisable options and unvested restricted stock units held by the Named Executive Officer on December 31, 2009. We have not granted Mr. Woestemeyer any equity based awards because of his equity position in the Company.

Name	Option Awards				Restricted Stock Units	
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Option exercise price (\$)	Option expiration date	Equity incentive plan awards: number of unearned shares units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value of unearned shares units or other rights that have not vested (\$)
Albert E. Winemiller	150,000(1)		6.00	4/2/2017	150,000(4)	1,552,500
Charles H. Murphy	150,000(1)		6.00	4/2/2017	150,000(4)	1,552,500
Andres Reiner	6,250 10,782 34,374 23,333 50,000	15,626(2) 76,667(3)	0.43 0.65 6.00 16.73 12.72	2/10/2015 12/30/2015 3/26/2017 11/15/2017 5/14/2018	50,000(5) 25,000(6)	517,500 258,750
Jeff Robinson	938 19,791 23,333 50,000	15626(2) 76,667(3)	0.65 6.00 16.73 12.72	12/30/2015 3/26/2017 11/15/2017 5/14/2018	50,000(5) 25,000(6)	517,500 258,750

(1) These options were awarded to Messrs. Winemiller and Murphy on April 2, 2007. They are immediately exercisable and

vested 25% on April 2, 2008 with the remaining options vesting monthly, in equal installments, thereafter based on continued employment through April 2, 2011.

- (2) These options were awarded to Messrs. Reiner and Robinson on March 26, 2007. The options vested 25% on March 26, 2008 with the remaining options vesting monthly, in equal installments, thereafter over a three year period. These options will be fully vested on March 26, 2011.
- (3) These options were awarded to Messrs. Reiner and Robinson on November 15, 2007. The options vest monthly, in equal installments, over a 30 month period commencing June 1, 2009. These options will be fully vested on December 1, 2011.
- (4) The restricted stock units were awarded to Messrs. Winemiller and Murphy on May 13, 2009. The restricted stock

units vest annually  
in one third  
installments from  
the date of grant.

- (5) The restricted stock units were awarded to Messrs. Reiner and Robinson on November 11, 2008. The restricted stock units vest as follows: 16,666 restricted stock units vested on January 1, 2010, 16,667 restricted stock units will vest on January 1, 2011, and 16,667 restricted stock units will vest on January 1, 2012.

- (6) The restricted stock units were awarded to Messrs. Reiner and Robinson on March 13, 2009. The restricted stock units vest annually in one third installments from the date of grant.

**Options exercised and restricted stock units vested in 2009**

The following table presents information on stock options exercised during the year ended December 31, 2009.

Name	Option Awards	
	Number of shares acquired on exercise (#)	Value realized on exercise (\$) (1)
Jeff Robinson	14,219	\$ 98,401

- (1) Based on the difference between the market price of the Company's common stock on the date of

exercise and the  
exercise price.

For the year ended December 31, 2009, Messrs. Winemiller, Murphy and Reiner did not exercise any stock options. No restricted stock units vested during 2009. Mr. Woestemeyer has not been granted any equity based awards because of his equity position in the Company.

**Table of Contents****Potential payments upon termination or change in control****Termination events**

Our employment agreements with each of our Named Executive Officers provide that in the case of a termination of employment by us without cause, as defined in the agreement, or by the Named Executive Officer for good reason, as defined in the agreement, the Named Executive Officers, with the exception of Mr. Woestemeyer, would be entitled to (i) a payment equal to one year of his then current base salary, (ii) any unpaid bonus earned prior to the termination related to completed bonus periods preceding the date of termination, (iii) up to 12 months of health benefits and (iv) the payment of a bonus at one hundred percent of performance targets, including discretionary components, within the bonus plan in effect as if employed by the Company for twelve months. In addition, Messrs. Winemiller and Murphy would be entitled to full acceleration of his vesting of any stock option award or equity award granted on or after April 2, 2007 and Mr. Reiner would be entitled to acceleration of the vesting on their stock options or other equity awards with respect to shares comprising fifty percent of the unvested shares under such stock options or other equity awards as of the date of termination. Mr. Woestemeyer would be entitled to a payment equal to one year of his then current base salary.

The following table presents the amounts of such severance payments to Messrs. Winemiller, Murphy, Woestemeyer and Reiner assuming the event that triggered the payment occurred December 31, 2009:

<b>Name</b>	<b>Severance (\$ (1))</b>	<b>Bonus (\$) (2)</b>	<b>Health Benefits (\$ (3))</b>	<b>Acceleration of Vesting of Unvested Equity Awards (\$ (4))</b>	<b>Total (\$)</b>
Albert E. Winemiller	340,000	340,000	6,817	1,770,000	2,456,817
Charles H. Murphy	300,000	240,000	5,345	1,770,000	2,315,345
Ronald F. Woestemeyer	233,750				233,750
Andres Reiner	250,000	150,000	9,308	374,913	784,221

(1) Reflects the then current base monthly salary for twelve months, payable on normal payroll cycles.

(2) Reflects the payment of a bonus at one hundred percent of performance targets, including the discretionary components, within the bonus plan in effect as if employed by the Company

for twelve months. The amounts in this column assume that as of December 31, 2009, there was no bonus earned but unpaid prior to termination.

- (3) Reflects health benefits as made generally available to employees for twelve months.
- (4) Reflects the acceleration of vesting on unvested equity awards using the closing price of the Company's stock on December 31, 2009.

On March 24, 2009, the Company entered into a First Amendment of Employment Agreement with Mr. Reiner. The First Amendment of Employment Agreement with Mr. Reiner would provide for payment of (i) any unpaid bonus earned prior to the termination related to completed bonus periods preceding the date of termination, and (ii) the payment of a bonus at one hundred percent of performance targets, including discretionary components, within the bonus plan in effect as if employed by the Company for twelve months. The unpaid bonus described in subsection (i) shall be paid on or about termination and the bonus as described in subsection (ii) shall be payable in equal installments during the twelve month period following termination. Such bonuses are payable if Mr. Reiner is terminated by us without cause, as defined in the agreement or by Mr. Reiner for good reason, as defined in the agreement.

On March 24, 2009, the Company entered into a Second Amendment of Employment Agreement with Messrs. Winemiller and Murphy. The Second Amendment of Employment Agreement will provide Messrs. Winemiller and Murphy with payment of (i) any unpaid bonus earned prior to the termination related to completed bonus periods preceding the date of termination, and (ii) the payment of a bonus at one hundred percent of performance targets, including discretionary components, within the bonus plan in effect as if employed by the Company for twelve months. The unpaid bonus described in subsection (i) shall be paid on or about termination and the bonus as described in subsection (ii) shall be payable in equal installments during the twelve month period following termination. Such bonuses are payable if Messrs. Winemiller and Murphy are terminated by us without cause, as defined in the agreement or by Messrs. Winemiller or Murphy, as applicable, for good reason, as defined in the agreement.

***Termination events after a change-in-control***

Our employment agreements with Messrs. Winemiller and Murphy provide that in the event of a termination of employment without cause or for good reason within six months of or anytime after a change-in-control,



Messrs. Winemiller and Murphy each would be entitled to (i) a payment equal to 18 months of his then current base salary, (ii) 18 months of health benefits, (iii) full acceleration on the vesting on any stock option award or equity award granted on or after April 2, 2007, (iv) any unpaid bonus earned prior to the termination, and (v) the payment of a bonus for the next 12 months at one hundred percent of performance targets, including discretionary components, within the bonus plan in effect as if employed by the Company.

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The following table presents potential payments to the Messrs. Winemiller and Murphy in the event of a termination without cause or termination for good reason by Messrs. Winemiller and Murphy within six months of a change-in-control, in each case assuming the event that triggered the payment occurred December 31, 2009:

<b>Name</b>	<b>Severance (\$ (1))</b>	<b>Bonus (\$) (2)</b>	<b>Health Benefits (\$) (3)</b>	<b>Acceleration of Vesting of Unvested Equity Awards (\$ (4))</b>	<b>Total (\$)</b>
Albert E. Winemiller	510,000	340,000	10,226	1,770,000	2,630,226
Charles H. Murphy	450,000	240,000	8,018	1,770,000	2,468,018

1. Reflects the then current base monthly salary for 18 months, payable on normal payroll cycles.
2. Reflects the payment of a bonus at one hundred percent of performance targets, including the discretionary component, within the bonus plan in effect as if employed by the Company for twelve months. The amounts in this column assume that as of December 31, 2009, there was no bonus earned but unpaid prior to termination.
3. Reflects health benefits as made generally available to

employees for  
18 months.

4. Reflects acceleration of vesting on unvested equity awards using the closing price of the Company's stock on December 31, 2009.

#### **REPORT OF THE AUDIT COMMITTEE OF THE BOARD**

Our audit committee has (1) reviewed and discussed the audited financial statements with management, (2) discussed with PricewaterhouseCoopers LLP, our independent registered public accounting firm, the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, and (3) received the written disclosures and the letter from the independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence. Based upon these discussions and reviews, the audit committee recommended to our board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and filed with the SEC.

Our board of directors has determined that each member meets the independence requirements of the NYSE and Rule 10A-3 (b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and that each qualify as an audit committee financial expert within the meaning of SEC regulations and the rules of the New York Stock Exchange. Our audit committee operates under a written charter adopted by our board of directors, a copy of which is available under *Corporate Governance* in the *Company Investor Relations* section of our website at [www.prospricing.com](http://www.prospricing.com).

PricewaterhouseCoopers LLP served as our independent registered public accounting firm since 2002 and audited our consolidated financial statements for the year ended December 31, 2009.

#### **THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

Timothy V. Williams, Chairman  
Greg B. Petersen  
Ellen Keszler

#### **STOCKHOLDERS PROPOSALS**

Stockholders may present proposals for action at meetings of stockholders only if they comply with the proxy rules established by the SEC, applicable Delaware law and our amended and restated bylaws as contained in the Form 8-K filed with the SEC on August 27, 2008, a copy of which was filed as Exhibit 3.2.1 to our Registration Statement on Form S-1/A filed with the SEC on June 15, 2007. No stockholder proposals were received for consideration at our 2010 annual meeting of stockholders.

Pursuant to the various rules promulgated by the SEC, stockholders interested in submitting a proposal for inclusion in our proxy materials and for presentation at the 2011 Annual Meeting of Stockholders may do so by following the procedures set forth in Rule 14a-8 under the Securities Exchange Act of 1934, as amended. To be eligible for inclusion in such proxy materials, stockholder proposals must be received by our Secretary no later than December 31, 2010.

Under our bylaws, with respect to any stockholder proposal or director nomination that is not submitted for inclusion in the next year's proxy statement but instead is proposed to be presented directly at our 2011 annual meeting, the stockholder must provide us written notice not less than one hundred and twenty (120) days in advance of the date that our proxy statement is released to stockholder. Any such notice shall set forth the following as to each

matter the stockholder proposes to bring before the meeting: (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and; (b) the name and address, as they appear on our corporate books, of the stockholder proposing such business; (c) the class and number of our shares that are beneficially owned by such stockholder; and (d) any material interest of the stockholder in such business. In the absence of such notice meeting the above requirements, a stockholder shall not be entitled to present any business at any meeting of stockholders.

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Notwithstanding the above, in the event that the number of directors to be elected at an annual meeting is increased and there is no public announcement by the Company naming the nominees for the additional directorships at least one hundred thirty (130) days prior to the first anniversary of the date that the Company's proxy statement was released to stockholders in connection with the previous year's annual meeting, a stockholder's notice shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary of the Company at the principal executive offices of the Company not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Company. In the event the Company calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder may nominate a person(s), for election to such positions as are specified in the Company's notice of meeting, if the stockholder's notice shall be delivered to the Secretary of the Corporation at the principal executive offices of the Company not earlier than the ninetieth (90th) day prior to such special meeting and not later than the close of business on the later of the seventieth (70th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting.

**ANNUAL REPORT ON FORM 10-K**

We have furnished or made available a copy of our Annual Report, as filed with the SEC, including the financial statements thereto to each person whose proxy is being solicited. Our Annual Report and exhibits thereto may be viewed on the Internet at [www.prospricing.com](http://www.prospricing.com) or at [www.sec.gov](http://www.sec.gov). We will furnish to any such person any exhibit described in the list accompanying the Annual Report. Requests for copies of such report and/or exhibit(s) should be directed to Corporate Communications Department, PROS Holdings, Inc., 3100 Main Street Suite 900, Houston, Texas 77002.

**NO INCORPORATION BY REFERENCE OF CERTAIN PORTIONS OF THIS PROXY STATEMENT**

Notwithstanding anything to the contrary set forth in any of our filings made under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate information in this proxy statement, neither the audit committee Report nor the compensation committee Report is to be incorporated by reference into any such filings as provided by SEC regulations. In addition, this Proxy Statement includes certain website addresses intended to provide inactive, textual references only. The information on these websites shall not be deemed part of this proxy statement.

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**PROS HOLDINGS, INC.  
3100 MAIN STREET  
SUITE 900  
HOUSTON, TX 77002**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by PROS Holdings, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY TELEPHONE- 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to PROS Holdings, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M24596-P92398

KEEP THIS PORTION FOR YOUR

DETACH AND RETURN THIS PORTION

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

<b>PROS HOLDINGS, INC. The Board of Directors recommends that you vote FOR the following:</b>	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
---	--------------------	-------------------------	---------------------------	---

<b>Vote on Directors</b>	o	o	o
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**1. Election of Directors  
Nominees:**

- 01) Albert E.  
Winemiller
- 02) Ronald F.  
Woestemeyer

**Vote on Proposal**

**For Against Abstain**

**The Board of Directors recommends you vote FOR the following proposal:**

2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of PROS Holdings, Inc. for the fiscal year ending December 31, 2010.

**NOTE:** Such other business as may properly come before the meeting or any adjournment thereof.

**The Board of Directors recommends a vote IN FAVOR OF the directors listed above and IN FAVOR OF the appointment of PricewaterhouseCoopers LLP. This Proxy, when properly executed, will be voted as specified above. If no specification is made, this Proxy will be voted IN FAVOR OF the election of the directors listed above and IN FAVOR OF the appointment of PricewaterhouseCoopers LLP.**

For address changes and/or comments, please   
 check this box and  
 write them on the back where indicated.

Please indicate if you plan    
 to attend this meeting.  
**Yes No**

Please indicate if you wish to    
 view meeting materials  
 electronically via the Internet  
 rather than receiving a hard **Yes No**  
 copy. Please note that you will  
 continue to receive a proxy  
 card for voting purposes only.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN  Date  
 BOX]

Signature (Joint Owners)  Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**  
The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

M24597-P92398

**PROS HOLDINGS INC.  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS  
ANNUAL MEETING OF STOCKHOLDERS  
June 10, 2010**

The stockholder(s) hereby appoint(s) Albert E. Winemiller and Charles H. Murphy, or each of them, as proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of PROS Holdings, Inc. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 8:00 a.m. CDT on June 10, 2010, at 3100 Main Street, Suite 900, Houston, TX 77002, and any adjournment or postponement thereof.

Such shares shall be voted as indicated with respect to the proposals listed on the reverse side hereof and the proxies discretion on such other matters as may properly come before the meeting or any adjournment thereof.

The Board of Directors recommends a vote In FAVOR OF the directors listed on the reverse side and IN FAVOR OF the appointment of PricewaterhouseCoopers LLP. This Proxy, when properly executed, will be voted as specified. If no specification is made, this Proxy will be voted IN FAVOR OF the election of directors listed on the reverse side of this proxy card and IN FAVOR OF the appointment of PricewaterhouseCoopers LLP.

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**