

SERENA SOFTWARE INC  
Form PREM14A  
December 01, 2005  
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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, as amended**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |                                     |   |                          |  |
|-------------------------------------|---|--------------------------|--|
| <input checked="" type="checkbox"/> | Preliminary Proxy Statement                 | <input type="checkbox"/> | <b>Confidential, for Use of the Commission Only (as permitted by</b> |
| <input type="checkbox"/>            | Definitive Proxy Statement                  | <input type="checkbox"/> | <b>Rule 14a 6(e)(2))</b>   |
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| <input type="checkbox"/>            | Soliciting Material Pursuant to §240.14a-12 |                          |  |

**SERENA SOFTWARE, INC.**

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(Name of Registrant as Specified in its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

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No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

Common Stock, par value \$0.001 per share, of Serena Software, Inc. ( Serena common stock )

2) Aggregate number of securities to which transaction applies:

33,833,052 shares of Serena common stock and options to purchase 6,268,751 shares of Serena common stock (1)

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

\$24.00 per share of Serena common stock

\$24.00 minus weighted average exercise price of outstanding options of \$19.24 per share subject to an option

4) Proposed maximum aggregate value of transaction:

\$841,832,503 (1)

5) Total fee paid:

\$90,076 (1)

Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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- (1) Pursuant to the Agreement and Plan of Merger dated as of November 11, 2005, Spyglass Merger Corp. will merge into the Registrant and each outstanding share of common stock of the Registrant shall be converted into the right to receive \$24.00, except for shares that are owned by the Registrant as treasury stock or owned by Spyglass Merger Corp. or any wholly owned subsidiary of Spyglass Merger Corp., which will be cancelled without any payment therefor, and except for shares that are owned by any wholly owned subsidiary of the Registrant, which will remain outstanding. Pursuant to a Contribution and Voting Agreement, one of the stockholders of the Registrant will contribute 7,518,483 shares of common stock of the Registrant to Spyglass Merger Corp. immediately prior to the merger in exchange for shares of Spyglass Merger Corp. Each holder of options to acquire the Registrant's common stock shall be entitled to receive, in consideration of the cancellation of such stock options, an amount (net of applicable taxes) equal to the product of (i) the excess, if any, of \$24.00 per share of common stock over the exercise price per share of common stock subject to such stock option, multiplied by (ii) the total number of shares subject to such stock option. As of November 28, 2005, there were 41,256,535 shares of common stock of the Registrant issued and outstanding, and there were 6,268,751 shares of common stock of the Registrant subject to outstanding stock options, with a weighted-average exercise price of \$19.24 per share. In addition, the Registrant expects to issue an additional 95,000 shares of its common stock on November 30, 2005, pursuant to the terms of its employee stock purchase plan. The filing fee was determined by adding (x) the product of (i) the number of shares of Common Stock that are proposed to be acquired in the transactions (calculated by subtracting 7,518,483 from 41,351,535) and (ii) the transaction consideration of \$24.00 per share of Common Stock, plus (y) the product of (1) the total number of shares of Serena common stock subject to outstanding stock options multiplied by (2) the excess, if any, of \$24.00 over the weighted average exercise price for such stock options ((x) and (y) together, the Merger Consideration). The filing fee was calculated in accordance with Regulation 240.00-11 under the Exchange Act, by multiplying the Merger Consideration by 0.000107.

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**SERENA SOFTWARE, INC.**

2755 Campus Drive, 3<sup>rd</sup> Floor

San Mateo, CA 94403-2538

**650-522-6600**

, 200

Dear Fellow Stockholder:

You are cordially invited to attend the special meeting of stockholders (the special meeting ) of Serena Software, Inc. ( Serena, we, us, or our ) which will be held on , 2006, beginning at : Pacific Time, at .

At this meeting, you will be asked to consider and vote upon a proposal to adopt an agreement and plan of merger dated as of November 11, 2005, entered into by and between Serena and Spyglass Merger Corp., pursuant to which Spyglass Merger Corp. will be merged with and into Serena, with Serena continuing as the surviving corporation. If the merger is completed, each share of Serena common stock issued and outstanding at the effective time of the merger will be converted into the right to receive \$24.00 in cash, without interest, other than shares held by Serena as treasury stock or owned by Spyglass Merger Corp. or any wholly owned subsidiary of Spyglass Merger Corp., which will be cancelled without payment, shares held by any of our wholly owned subsidiaries, which will remain outstanding, and shares held by stockholders who are entitled to, and who properly exercise and perfect, appraisal rights in compliance with all of the required procedures under Delaware law.

If the merger is completed, Serena will continue its operations as a privately-held company owned by affiliates of Silver Lake Partners, a private equity firm, and certain of Serena's current directors and senior management, whom we refer to in the attached proxy statement as management participants. The management participants include as of the date of the proxy statement Douglas D. Troxel, the Chairman of our board of directors and Chief Technology Officer, Robert I. Pender, Jr., our Chief Financial Officer and Senior Vice President, Finance and Administration, who is also one of our directors, and me. We expect that certain other members of our current senior management will also have an ownership interest in Serena following the merger.

As a result of the merger, Serena's shares will no longer be quoted on The NASDAQ National Market.

A special committee of our board of directors unanimously approved the merger agreement and the transactions contemplated by the merger agreement and determined the merger advisable and to be fair to, and in the best interests of, our unaffiliated stockholders. The special committee consists entirely of directors who are not officers or employees of Serena and who will not have an economic interest in Serena following the merger. Our board of directors, acting upon the recommendation of the special committee, approved the merger agreement and the transactions contemplated by the merger agreement and determined the merger advisable and to be fair to, and in the best interests of, our

unaffiliated stockholders. **The special committee and the board of directors both recommend that you vote FOR the adoption of the merger agreement.**

In reaching their decisions, the special committee and the board of directors considered, among other things, an opinion dated November 10, 2005, of Morgan Stanley & Co. Incorporated, the financial advisor to the special committee, to the effect that, as of November 10, 2005, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the \$24.00 per share consideration to be received by holders of shares of Serena common stock pursuant to the merger agreement was fair from a financial point of view to holders of Serena common stock other than Mr. Troxel, who is exchanging a portion of his Serena common stock for common stock of Spyglass Merger Corp. immediately prior to the merger.

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The proxy statement accompanying this letter provides you with information about the proposed merger and the special meeting. We encourage you to read the entire proxy statement carefully, including the merger agreement and the other documents annexed to the proxy statement. You may also obtain more information about Serena from documents we have filed with the Securities and Exchange Commission.

Your vote is very important. The merger cannot be completed unless the merger agreement is adopted by the affirmative vote of the holders of a majority of the outstanding shares of Serena common stock. **If you fail to vote on the merger agreement, the effect will be the same as a vote against the adoption of the merger agreement for purposes of the vote referred to above.**

**WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE YOUR SHARES BY INTERNET, TELEPHONE OR MAIL. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOU OWN SHARES THAT ARE REGISTERED DIFFERENTLY, PLEASE VOTE ALL OF YOUR SHARES SHOWN ON ALL OF YOUR PROXY CARDS.**

Voting by proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

Thank you for your cooperation and continued support.

Sincerely,

Mark E. Woodward

*President and*

*Chief Executive Officer*

**Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or the merger agreement or passed upon the adequacy or accuracy of the information contained in the accompanying proxy statement. Any representation to the contrary is a criminal offense.**

THE ACCOMPANYING PROXY STATEMENT IS DATED \_\_\_\_\_, 200

AND IS FIRST BEING MAILED TO STOCKHOLDERS ON OR ABOUT \_\_\_\_\_, 200 .

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**SERENA SOFTWARE, INC.**

2755 Campus Drive, 3<sup>rd</sup> Floor

San Mateo, CA 94403-2538

**650-522-6600**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To be Held on \_\_\_\_\_, 2006**

To Our Stockholders:

Notice is hereby given that a special meeting of stockholders of Serena Software, Inc., a Delaware corporation ( Serena ), will be held on \_\_\_\_\_, 2006, beginning at \_\_\_\_\_ : \_\_\_\_\_ Pacific Time, at \_\_\_\_\_, for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of November 11, 2005 (the merger agreement ), between Serena and Spyglass Merger Corp., pursuant to which, upon the merger becoming effective, each share of common stock, par value \$0.001 per share, of Serena will be converted into the right to receive \$24.00 in cash, without interest, other than shares held by Serena as treasury stock or owned by Spyglass Merger Corp. or any wholly owned subsidiary of Spyglass Merger Corp., which will be cancelled, shares that are owned by any wholly owned subsidiary of Serena, which will remain outstanding, and shares held by stockholders who are entitled to and who properly exercise and perfect appraisal rights in compliance with all of the required procedures under Delaware law;

2. To approve the adjournment of the meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement; and

3. To act upon such other business as may properly come before the special meeting or any adjournment of the special meeting.

Only holders of Serena s common stock at the close of business on \_\_\_\_\_, 200 are entitled to notice of and to vote at the special meeting and any adjournment thereof.

You are cordially invited to attend the meeting in person.

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Your vote is important, regardless of the number of shares of Serena's common stock that you own. The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Serena's common stock entitled to vote on that proposal. The proposal to adjourn the meeting, if necessary, to solicit additional proxies requires the affirmative vote of a majority of the shares present and entitled to vote at the special meeting.

Even if you plan to attend the meeting in person, please complete, sign, date and return the enclosed proxy to ensure that your shares will be represented at the meeting if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote in favor of the adoption of the merger agreement, in favor of the proposal to adjourn the meeting, if necessary, to solicit additional proxies, and in accordance with the recommendation of the board of directors on any other matters properly brought before the meeting for a vote. If you fail to return your proxy card, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the meeting and will have the same effect as a vote against the adoption of the merger agreement, but will not affect the outcome of the vote regarding the adjournment of the meeting, if necessary, to solicit additional proxies. Alternatively, you may vote your shares over the Internet or by telephone, as indicated on the proxy card. If you are a stockholder of record and do attend the meeting and wish to vote in person, you may withdraw your proxy and vote in person.



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Stockholders of Serena who do not vote in favor of the adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they submit a written demand for appraisal to Serena before the vote is taken on the merger agreement and they comply with all of the other requirements of Delaware law, which are summarized in the accompanying proxy statement.

By Order of the Board of Directors,

Vita A. Strimaitis

*Senior Vice President,*

*General Counsel and Secretary*

San Mateo, California

, 200

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**SUMMARY TERM SHEET**

The following summary term sheet highlights selected information from this proxy statement and may not contain all of the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement. In this proxy statement, the terms Serena, Company, we, our, ours, and us refer to Serena Software, Inc. and its subsidiaries, taken together.

**The Merger and Related Matters**

**The Merger.** You are being asked to vote to adopt an agreement and plan of merger between Serena and Spyglass Merger Corp., which provides for the merger of Spyglass Merger Corp. with and into Serena. Upon the completion of the merger, Serena will be the surviving corporation and the separate existence of Spyglass Merger Corp. will cease. We refer to the agreement and plan of merger in this proxy statement as the merger agreement. See The Merger Agreement beginning on page 65. A copy of the merger agreement is attached as Annex A to this proxy statement.

**Parties to the Merger.** Serena is a Delaware corporation that was incorporated in California in 1980 and reincorporated in Delaware in 1998. Serena is the largest company in terms of revenue solely focused on managing change in the information technology, or IT, environment. Serena's products and services automate processes and control change for teams managing development, web content and IT infrastructure. Serena's solutions take a cross-platform and cross-organizational view of enterprise applications, allowing customers to define, enforce and automate application lifecycle processes. Spyglass Merger Corp. is a Delaware corporation that was incorporated on November 7, 2005 by Silver Lake Partners II, L.P., an affiliate of a private equity firm known as Silver Lake Partners, solely for the purpose of completing the merger and the related financings and transactions. Spyglass Merger Corp. has not participated in any activities to date other than activities incident to its formation and the transactions contemplated by the merger agreement. As of the date of this proxy statement, Silver Lake Partners II, L.P. is the sole stockholder of Spyglass Merger Corp. See The Parties to the Merger beginning on page 57.

**Management Participants.** Douglas D. Troxel, the Chairman of our board of directors and Chief Technology Officer, Mark E. Woodward, our Chief Executive Officer and President and one of our directors, and Robert I. Pender, Jr., our Chief Financial Officer and Senior Vice President, Finance and Administration, and one of our directors, will contribute a portion of their current equity interests in Serena to Spyglass Merger Corp. prior to the completion of the merger. We expect that other members of our current senior management will also contribute a portion of their equity interests in Serena to Spyglass Merger Corp. prior to the completion of the merger. As a result, each of Messrs. Troxel, Woodward and Pender, and any other members of our senior management who obtain an ownership interest in Spyglass Merger Corp. prior to the merger, will have an ownership interest in Serena following the merger. In this proxy statement, we refer to Messrs. Troxel, Woodward and Pender, and any other members of our senior management who contribute equity interests to Spyglass Merger Corp. prior to the merger, as management participants. See Special Factors Interests of the Company's Directors and Executive Officers in the Merger beginning on page 47.

**Payment for Common Stock.** If the merger is completed, each share of Serena common stock issued and outstanding at the effective time of the merger will be converted into the right to receive \$24.00 in cash, without interest, other than shares held by us as treasury stock or owned by Spyglass Merger Corp. or any wholly owned subsidiary of Spyglass Merger Corp., which will be cancelled, shares held by any of our wholly owned subsidiaries, which will remain outstanding, and shares held by stockholders who are entitled to and who properly exercise and perfect appraisal rights in compliance with all of the required procedures under Delaware law. See The Merger Agreement Treatment of Stock and Options beginning on page 65.

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**Treatment of Options.** Immediately prior to the effective time of the merger, all outstanding options to acquire Serena common stock will become fully vested and immediately exercisable unless otherwise agreed between the holder of any of those options and Spyglass Merger Corp. Options will not be assumed and will be terminated or cancelled in accordance with the terms of the plans under which they were granted (other than some of the options held by the management participants, which may make up all or a portion of their contribution of equity interests to Spyglass Merger Corp. as described above) and the option holders will generally be entitled to receive cash, without interest, in an amount equal to the product of (1) the total number of shares of Serena common stock subject to the option multiplied by (2) the excess, if any, of \$24.00 over the exercise price per share of Serena common stock under such option, less any applicable withholding taxes. See *The Merger Agreement Treatment of Stock and Options* beginning on page 65.

**Purposes of the Merger.** The purpose of the merger for Serena is to enable its stockholders to immediately realize the value of their investment in Serena through their receipt of the per share merger price of \$24.00 in cash, without interest. For Spyglass Merger Corp., the purpose of the merger is to allow its stockholders to own Serena and to bear the rewards and risks of such ownership after Serena's common stock ceases to be publicly traded. See *Special Factors Purposes and Structure of the Merger* beginning on page 37.

**Effect of the Merger on Serena.** If the merger is completed, Serena will continue its operations as a privately-held company owned by (1) affiliates of Silver Lake Partners and (2) the management participants. After the merger, Serena's shares will no longer be quoted on The NASDAQ National Market. In addition, Serena expects the registration of Serena common stock under the Securities Exchange Act of 1934 will be terminated. As a result, Serena will no longer be required to file periodic or other reports with the Securities and Exchange Commission with respect to its common stock or to deliver proxy statements or information statements in connection with stockholders' meetings. See *Special Factors Certain Effects of the Merger* beginning on page 38.

**Special Committee.** Our board of directors formed a special committee, consisting entirely of directors who are not officers or employees of Serena and who will not have an economic interest in Serena following the merger. The special committee was charged with representing the interests of our unaffiliated stockholders and was actively involved in extended and numerous deliberations and negotiations regarding the merger on behalf of the unaffiliated stockholders. In this capacity, the special committee retained and received advice from Morgan Stanley and Co. Incorporated, as financial advisor, and Wilson Sonsini Goodrich & Rosati, Professional Corporation, as legal advisor. See *Special Factors Background of Merger* beginning on page 14 and *Special Factors Reasons for the Special Committee's Recommendation* beginning on page 25.

**Special Committee Recommendation.** The special committee unanimously recommends that Serena's stockholders vote **FOR** the adoption of the merger agreement. See *Special Factors Recommendations of the Special Committee and the Board of Directors* beginning on page 24.

**Board of Directors Recommendation.** Our board of directors recommends that Serena's stockholders vote **FOR** the adoption of the merger agreement. See *Special Factors Recommendation of the Special Committee and the Board of Directors* beginning on page 24.

**Opinion of Financial Advisor.** The special committee received an opinion on November 10, 2005, from Morgan Stanley & Co. Incorporated, the financial advisor to the special committee, to the effect that, as of that date and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the \$24.00 per share consideration to be received by holders of shares of Serena common stock pursuant to the merger agreement was fair from a financial point of view to the holders of Serena common stock other than Douglas D. Troxel, who is exchanging a portion of his Serena common stock for common stock of Spyglass Merger Corp. immediately prior to the merger, which shares will convert into shares of the surviving corporation as a result of the merger. See *Special Factors Opinion of Morgan Stanley & Co. Incorporated* beginning on page 28. A copy of Morgan Stanley's opinion is attached as Annex B to this proxy statement.

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**Interests of Our Directors and Officers.** Some of our directors and officers, including the management participants, have interests in the merger that are different from, or in addition to, the interests that apply to our stockholders generally. See **Special Factors Interests of the Company's Directors and Executive Officers in the Merger** beginning on page 47.

**Financing of the Merger.** Spyglass Merger Corp. estimates that approximately \$1.14 billion will be the total amount of funds required to pay the merger consideration in connection with the merger, to pay either the as-converted cash amount or the principal and accrued but unpaid interest on the outstanding \$220 million in aggregate principal amount of Serena's 1 1/2% Convertible Subordinated Notes due 2023, in each case at the times and subject to the conditions set forth in the indenture governing the convertible notes, and to pay related fees and expenses. Spyglass Merger Corp. expects this amount, together with the related working capital requirements of Serena following the completion of the merger, to be provided through a combination of the proceeds of the following:

an aggregate cash equity investment by Silver Lake Partners II, L.P. and Silver Lake Technology Investors II, L.L.C., which are affiliates of Silver Lake Partners and which we refer to in this proxy statement as the Silver Lake investors, of \$349.0 million, which is subject to downward or upward adjustment;

a new \$450.0 million senior secured credit facility, consisting of a \$375.0 million term credit facility and a \$75.0 million revolving credit facility;

either:

an offering of new unsecured senior subordinated notes yielding gross proceeds of \$225.0 million; or

a new \$225.0 million senior subordinated bridge loan facility; and

cash and cash equivalents held by Serena and its subsidiaries.

In addition, the management participants will contribute a portion of their current equity interests in Serena in exchange for ownership interests in Spyglass Merger Corp. prior to the merger, which will include a contribution by the Douglas D. Troxel Living Trust, which is an affiliate of Douglas D. Troxel, of an aggregate of 7,518,483 shares of Serena common stock. In this proxy statement we refer to the Douglas D. Troxel Living Trust as the Troxel Trust. The equity interests that the management participants other than the Troxel Trust agree to contribute to Spyglass Merger Corp. will reduce the amount of the cash equity investment by the Silver Lake investors. The shares of Serena common stock contributed to Spyglass Merger Corp. prior to the merger will be cancelled and cease to exist at the effective time of the merger without any payment being made or consideration delivered in respect of those shares. The shares of Spyglass Merger Corp. will convert into shares of the surviving corporation as a result of the merger. See **Special Factors Financing of the Merger** beginning on page 41.

**Sponsor Guarantee.** Silver Lake Partners II, L.P. agreed to pay us any amounts, up to a maximum of \$52,350,000, that are determined by a final court order to be due to us from Spyglass Merger Corp. by reason of its willful breach of the merger agreement. See **Other Agreements Sponsor Guarantee** beginning on page 81. A copy of the sponsor guarantee is attached as Annex C to this proxy statement.

**Other Offers.** The merger agreement restricts Serena's ability to, among other things, solicit or engage in discussions or negotiations with a third party regarding specified transactions involving Serena. However, under specified circumstances, the board of directors of Serena may terminate the merger agreement if Serena desires to accept an unsolicited superior proposal, as defined in the merger agreement, subject to the prior or concurrent payment of a \$35 million termination fee to Spyglass Merger Corp. or its designee. See

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The Merger Agreement No Solicitation of Transactions beginning on page 72 and The Merger Agreement Termination beginning on page 78.

**Tax Consequences.** Generally, the consideration received in the merger will be taxable for U.S. federal income tax purposes. You will recognize taxable gain or loss in the amount of the difference between \$24.00 and your adjusted tax basis for each share of Serena common stock that you own. However,



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special tax consequences may apply to management participants who acquire shares of Spyglass Merger Corp. See **Special Factors - Material U.S. Federal Income Tax Consequences** beginning on page 51.

**Conditions.** The completion of the merger pursuant to the merger agreement is subject to (1) adoption of the merger agreement by the holders of a majority of the outstanding shares of our common stock, (2) the receipt of debt financing by Spyglass Merger Corp., and (3) specified other conditions. See **The Merger Agreement - Conditions to the Merger** beginning on page 76.

**The Special Meeting and Related Matters**

**Date, Time and Place.** The special meeting of Serena's stockholders will be held on \_\_\_\_\_, 2006 beginning at \_\_\_\_\_ : \_\_\_\_\_ Pacific Time, at \_\_\_\_\_.

**Record Date and Voting.** You are entitled to vote at the special meeting if you owned shares of Serena common stock at the close of business on \_\_\_\_\_, 2006, the record date for the special meeting. Each outstanding share of our common stock on the record date entitles the holder to one vote on each matter submitted to stockholders for approval at the special meeting. As of the close of business on the record date, there were \_\_\_\_\_ shares of common stock of Serena entitled to be voted at the special meeting. See **The Special Meeting - Record Date, Quorum and Voting Power** beginning on page 62.

**Stockholder Vote Required to Adopt the Merger Agreement.** For Serena to complete the merger, stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote **FOR** the adoption of the merger agreement. See **The Special Meeting - Required Vote** beginning on page 62.

**Share Ownership of Directors and Executive Officers.** As of the close of business on the record date for the special meeting, the directors and executive officers of Serena held and are entitled to vote, in the aggregate, \_\_\_\_\_ shares of our common stock, representing approximately \_\_\_\_\_ % of the outstanding shares of our common stock, including shares beneficially owned by Douglas D. Troxel and the Troxel Trust. Pursuant to the terms of the contribution and voting agreement described elsewhere in this proxy statement, Douglas D. Troxel and the Troxel Trust each have agreed to vote or consent, or cause to be voted or consented, all shares of our common stock that he or it beneficially owns or controls in favor of adopting the merger agreement. As of the record date for the special meeting, Mr. Troxel and the Troxel Trust collectively may be deemed to beneficially own \_\_\_\_\_ shares of our common stock, representing approximately \_\_\_\_\_ % of the outstanding shares of our common stock. In addition, the other directors and executive officers have informed Serena that they intend to vote all of their shares of our common stock **FOR** the adoption of the merger agreement. See **The Special Meeting - Voting by Directors and Executive Officers** beginning on page 63. A copy of the contribution and voting agreement is attached as Annex D to this proxy statement.

**Appraisal Rights of Stockholders.** Under Delaware law, you are entitled to appraisal rights in connection with the merger. As a result, you will have the right under Delaware law to have the fair value of your shares of Serena common stock determined by the Delaware Chancery Court. This right to appraisal is subject to a number of restrictions and procedural requirements. Generally, in order to exercise your appraisal rights, you must:

send a written demand to Serena for appraisal in compliance with the Delaware General Corporation Law before the vote on the adoption of the merger agreement;

not vote in favor of the adoption of the merger agreement; and

continuously hold your Serena common stock from the date you make the demand for appraisal through the effective date of the merger.

Merely voting against the adoption of the merger agreement will not protect your rights to an appraisal, which requires you to take all the steps provided under the Delaware law. Delaware law requirements

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for exercising appraisal rights are described in further detail in this proxy statement. See **Dissenters' Rights of Appraisal** beginning on page 99. In addition, Section 262 of the General Corporation Law of the State of Delaware, which is the section of Delaware law regarding appraisal rights, is reproduced and attached as Annex F to this proxy statement.

**If you vote for the adoption of the merger agreement, you will waive your rights to seek appraisal of your shares of Serena common stock under Delaware law.**

**Litigation Related to the Merger.** As of the date of this proxy statement, three complaints have been filed naming Serena and the members of our board of directors as defendants. Among other things, the complaints allege that our directors, in approving the proposed merger, breached fiduciary duties owed to our stockholders because the directors failed to take steps to maximize the value to our public stockholders. The complaints seek class certification and forms of equitable relief, including enjoining the consummation of the merger, and some of the complaints seek damages as well. We believe that the allegations are without merit and intend to vigorously contest the actions. There can be no assurance, however, that we will be successful in our defense of these actions. See **Special Factors - Litigation Related to the Merger** beginning on page 53.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING**

*The following questions and answers briefly address some commonly asked questions about the merger and the special meeting. They may not include all of the information that may be important to you. We urge you to read carefully this entire proxy statement, including the annexed documents and the other documents we refer to and incorporate by reference in this proxy statement.*

**Q: What matters will I be asked to vote on at the special meeting?**

A: You will be asked to vote on the following proposals:

the adoption of the merger agreement, which provides for the merger of Spyglass Merger Corp. with and into Serena;

the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement; and

action on other matters and transaction of other business as may properly come before the special meeting.

If the merger is completed, you will no longer own shares of Serena common stock.

**Q: What will happen to Serena as a result of the merger?**

A: Serena will continue its operations as a privately-held company owned by the Silver Lake investors and the management participants. Serena's shares will no longer be publicly traded, and Serena does not expect to be required to file periodic and other reports with the Securities and Exchange Commission with respect to its common stock or proxy or information statements with respect to stockholders meetings.

**Q: What will I receive for my Serena common stock if the merger is completed?**

A: If the merger is completed, each share of your Serena common stock will be converted into the right to receive \$24.00 in cash, without interest, unless you validly exercise and perfect appraisal rights in compliance with all of the required procedures under Delaware law, in which case your shares will be subject to appraisal in accordance with Delaware law.

**Q: What will happen to my stock options in the merger?**

A: All outstanding stock options will become fully vested and immediately exercisable prior to the merger unless otherwise agreed between the holder of any of those options and Spyglass Merger Corp. Options will not be assumed and will be terminated or cancelled, other than some of the options held by the management participants, and the option holders will generally be entitled to receive cash, without interest, in an amount equal to the product of (1) the total number of shares of Serena common stock subject to the option multiplied by (2) the excess of \$24.00 over the exercise price per share of Serena common stock under such option, less any applicable withholding taxes.

**Q. How do Serena's board of directors and the special committee recommend that I vote on the merger?**

A: The special committee of our board of directors unanimously approved the merger agreement and the transactions contemplated by the merger agreement and determined the merger, on the terms and conditions set forth in the merger agreement, advisable and to be fair to and in the best interests of our unaffiliated stockholders. Our board of directors, acting upon the recommendation of the special committee, has

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approved the merger agreement and the transactions contemplated by the merger agreement and determined the merger, on the terms and conditions set forth in the merger agreement, advisable and to be fair to, and in the best interests of, our unaffiliated stockholders. **The special committee and the board of directors both recommend that you vote FOR the adoption of the merger agreement.**

**Q: Why did the board of directors form a special committee?**

A: Because certain members of our board of directors and management will have interests in Serena following the merger, our board of directors formed a special committee to represent the interests of our unaffiliated stockholders. The special committee consists entirely of directors who are not officers or employees of Serena and who will not have an economic interest in Serena following the merger.

**Q: Do any members of the board of directors or management of Serena have interests in the merger that may be different from my interests as a stockholder?**

A: Yes, some of our directors and officers, including the management participants, have interests in the merger that are different from, or in addition to, the interests that apply to our stockholders generally. For more information about these interests, see Special Factors Interests of the Company's Directors and Executive Officers in the Merger beginning on page 47.

**Q: Who are the management participants ?**

A: Douglas D. Troxel, the Chairman of our board of directors and Chief Technology Officer, Mark E. Woodward, our Chief Executive Officer and President and one of our directors, and Robert I. Pender, Jr., our Chief Financial Officer and Senior Vice President, Finance and Administration, and one of our directors, will contribute a portion of their current equity interests in Serena to Spyglass Merger Corp. in exchange for an ownership interest in Spyglass Merger Corp. prior to the completion of the merger. We expect that other members of our current senior management will also contribute a portion of their equity interests in Serena to Spyglass Merger Corp. in exchange for an ownership interest in Spyglass Merger Corp. prior to the completion of the merger. We refer to Messrs. Troxel, Woodward and Pender and these other individuals as the management participants.

**Q: What will happen to the Serena shares and options held by the management participants?**

A: The management participants will contribute a portion of their current shares of Serena common stock and/or Serena stock options to Spyglass Merger Corp. in exchange for an ownership interest in Spyglass Merger Corp. prior to the merger. At the effective time of the merger, these shares of Spyglass Merger Corp. will convert into shares of common stock in the surviving corporation in the merger. In addition, a portion of the options for common stock of Serena held by management participants will be exchanged for options for shares of common stock in the surviving corporation with equivalent value.

The Serena shares and stock options currently held by the management participants that are not contributed to Spyglass Merger Corp. prior to the merger or which are not exchanged for options with equivalent value in the surviving corporation in the merger will be treated the same as the shares and stock options held by our unaffiliated stockholders.

**Q: What is Spyglass Merger Corp.?**

A: Spyglass Merger Corp. is a Delaware corporation that was incorporated on November 7, 2005 by Silver Lake Partners II., L.P., an affiliate of a private equity firm known as Silver Lake Partners, solely for the purpose of completing the merger and the related financings and transactions. As of the date of this proxy statement, Silver Lake Partners II, L.P. is the sole stockholder of Spyglass Merger Corp.



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**Q: How will Spyglass Merger Corp. pay the merger consideration?**

A: Spyglass Merger Corp. will pay the merger consideration from the proceeds of equity investments and debt financing arrangements to be entered into in connection with the merger. In addition, it is anticipated that cash and cash equivalents held by Serena and its subsidiaries will be used to fund payment of a portion of the merger consideration. For more information about the financing of the merger, see *Special Factors Financing of the Merger* beginning on page 41.

**Q: When do you expect the merger to be completed?**

A: We are working to complete the merger as quickly as possible, and we anticipate that it will be completed in the first quarter of calendar year 2006. In order to complete the merger, we must obtain stockholder approval and the other closing conditions under the merger agreement must be satisfied or waived. See *The Merger Agreement Conditions to the Merger* beginning on page 76 and *The Merger Agreement Effective Time* beginning on page 65.

**Q: What are the conditions to the completion of the merger?**

A: The completion of the merger is subject to a number of conditions, including:

adoption of the merger agreement by the holders of a majority of the outstanding shares of our common stock;

the expiration or termination of the waiting periods under applicable antitrust laws, and the receipt of any required approvals from anti-trust authorities;

receipt of all material consents, approvals and authorizations legally required to be obtained from governmental authorities to consummate the merger;

the accuracy of the representations and warranties made by us and Spyglass Merger Corp. in the merger agreement, subject to specified materiality thresholds;

the performance, in all material respects, by Serena and Spyglass Merger Corp. of the covenants and agreements in the merger agreement;

the absence of any governmental injunctions, orders, decrees or rulings that have the effect of making the consummation of the merger illegal or that would require, prohibit or limit Serena or Spyglass Merger Corp. from taking specified actions;

the absence of any fact, change, development, event, effect, condition or occurrence that, individually or in the aggregate, has had or is reasonably likely to result in a material adverse effect on Serena;

the receipt by Spyglass Merger Corp. of a specified amount of debt financing proceeds;

the delivery of specified certifications; and



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the delivery of a solvency opinion to Serena and its board of directors if a solvency opinion is delivered to any of the senior lenders under the debt commitment letter or other lenders pursuant to an alternate debt financing arrangement.

If all of these conditions are not either satisfied or waived, the merger will not be completed even if our stockholders vote to adopt the merger agreement. See The Merger Agreement Conditions to the Merger beginning on page 76.

**Q: Will I owe any U.S. federal income tax as a result of the merger?**

A: Generally, the consideration received in the merger will be taxable for U.S. federal income tax purposes. You will recognize taxable gain or loss in the amount of the difference between \$24.00 and your adjusted

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tax basis for each share of Serena common stock that you own. However, special tax consequences may apply to management participants who acquire shares of Spyglass Merger Corp. For further information about the U.S. federal income tax consequences of the merger, see Special Factors Material U.S. Federal Income Tax Consequences beginning on page 51.

**Q: When and where is the special meeting?**

A: The special meeting will be held on \_\_\_\_\_, \_\_\_\_\_, 2006 beginning at \_\_\_\_\_: \_\_\_\_\_ Pacific Time, at \_\_\_\_\_.

**Q: Who can vote on the merger agreement?**

A: Holders of our common stock at the close of business on \_\_\_\_\_, 2006, the record date for the special meeting, may vote in person or by proxy on the merger agreement at the special meeting.

**Q: What vote of stockholders is required to adopt the merger agreement?**

A: For Serena to complete the merger, stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote FOR the adoption of the merger agreement.

**Q: What vote of stockholders is required for the proposal to adjourn the meeting?**

A: The proposal to adjourn the meeting, if necessary, to solicit additional proxies requires the affirmative vote of a majority of the shares present and entitled to vote at the special meeting.

**Q: Are any stockholders required to vote in favor of adopting the merger agreement ?**

A: Yes. Under the terms of a contribution and voting agreement entered into in connection with the merger, Douglas D. Troxel and the Troxel Trust each have agreed to vote all shares he and it beneficially own in favor of adopting the merger agreement. As of the record date for the special meeting, Mr. Troxel and the Troxel Trust collectively may be deemed to beneficially own \_\_\_\_\_ shares of our common stock, which represent approximately \_\_\_\_\_ % of the outstanding shares of our common stock.

**Q: What does it mean if I receive more than one proxy card?**

A: If you have shares of our common stock that are registered differently and are in more than one account, you will receive more than one proxy card. Please follow the directions for voting on each of the proxy cards you receive to ensure that all of your shares are voted.

**Q: How do I vote without attending the special meeting?**

A: If you hold shares in your name as the stockholder of record, then you received this proxy statement and a proxy card from us. If you hold shares in street name through a broker, bank or other nominee, then you received this proxy statement from the nominee, along with the nominee's form of proxy card which includes voting instructions. In either case, you may vote your shares by Internet, telephone or mail without attending the special meeting. To vote by Internet or telephone 24 hours a day, seven days a week, follow the instructions on the proxy card. To vote by mail, mark, sign and date the proxy card and return it in the postage-paid envelope provided. Internet and telephone voting provide the same authority to vote your shares as if you returned your proxy card by mail.



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### **Q: How do I vote in person at the special meeting?**

A: If you hold shares in your name as the stockholder of record, you may vote those shares in person at the special meeting by giving us a signed proxy card or ballot before voting is closed. If you want to do that, please bring proof of identification with you. Even if you plan to attend the special meeting, we recommend that you vote your shares in advance as described above, so your vote will be counted even if you later decide not to attend.

If you hold shares in street name through a broker, bank or other nominee, you may vote those shares in person at the special meeting only if you obtain and bring with you a signed proxy from the necessary nominee giving you the right to vote the shares. To do this, you should contact your nominee.

### **Q: Can I change my vote?**

A: After you vote your shares, whether by Internet, telephone or mail, you may change your vote at any time before voting is closed at the special meeting. If you hold shares in your name as the stockholder of record, you should write to our Corporate Secretary at our principal offices, 2755 Campus Drive, 3rd Floor, San Mateo, California 94403, stating that you want to revoke your proxy and that you need another proxy card. If you hold your shares in street name through a broker, bank or other nominee, you should contact the nominee and ask for a new proxy card. Alternatively, you may vote again by Internet or telephone. If you attend the special meeting, you may vote by ballot as described above, which will cancel your previous vote. Your last vote before voting is closed at the special meeting is the vote that will be counted.

### **Q: What happens if I do not respond?**

A: For purposes of the proposal to adopt the merger agreement, the failure to respond by returning your proxy card will have the same effect as voting against the merger agreement unless you vote for the merger agreement in person at the special meeting. For purposes of any proposal to adjourn the meeting, if necessary, to solicit proxies, the failure to respond by returning your proxy card will not count as a vote cast on the proposal but will count for determining whether a quorum is present.

### **Q: What is a quorum?**

A: A quorum of the holders of the outstanding shares of our common stock must be present for the special meeting to be held. A quorum is present if the holders of a majority of the outstanding shares of our common stock entitled to vote are present at the special meeting, either in person or represented by proxy. Withheld votes, abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present.

### **Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

A: Yes, but only if you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without those instructions, your shares will not be voted.

### **Q: How are votes counted?**

A: For the proposal relating to the adoption of the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not count as votes cast on the proposal relating to adoption of the merger agreement, but will count for the purpose of determining whether a

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quorum is present. If you ABSTAIN, it has the same effect as if you vote AGAINST the adoption of the merger agreement.

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For the proposal to adjourn the meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not count as votes cast on the proposal to adjourn the meeting, if necessary, to solicit additional proxies, but will count for the purpose of determining whether a quorum is present.

If you sign your proxy card without indicating your vote, your shares will be voted FOR the adoption of the merger agreement, FOR adjournment of the meeting, if necessary, to solicit additional proxies, and in accordance with the recommendations of our board of directors on any other matters properly brought before the meeting for a vote.

A broker non-vote generally occurs when a broker, bank or other nominee holding shares on your behalf does not vote on a proposal because the nominee has not received your voting instructions and lacks discretionary power to vote the shares. Broker non-votes will not count as votes cast on a proposal, but will count for the purpose of determining whether a quorum is present. Broker non-votes will have the same effect as a vote against the adoption of the merger agreement.

### **Q: Who will bear the cost of this solicitation?**

A: We will pay the cost of this solicitation, which will be made primarily by mail. Proxies also may be solicited in person, or by telephone, facsimile, Internet or similar means, by our directors, officers or employees without additional compensation. In addition, D.F. King & Co., Inc. will provide solicitation services to us for a fee of approximately \$50,000 plus out-of-pocket expenses. We will, on request, reimburse stockholders who are brokers, banks or other nominees for their reasonable expenses in sending proxy materials to the beneficial owners of the shares they hold of record.

### **Q: Should I send in my stock certificates now?**

A: No. If the merger is completed, you will receive a letter of transmittal with instructions informing you how to send your stock certificates to the paying agent in order to receive the merger consideration. You should use the letter of transmittal to exchange Serena stock certificates for the merger consideration to which you are entitled as a result of the merger. If your shares are held in street name by your broker, you will receive instructions from your broker as to how to effect the surrender of your street name shares and receive cash for those shares. DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.

### **Q: What rights do I have to seek appraisal for my shares?**

A: If you wish, you may seek an appraisal of the fair value of your shares, but only if you comply with all requirements of Delaware law as described in the section of the proxy statement entitled Dissenters Rights of Appraisal beginning on page 99 and in Annex F of this proxy statement. Depending upon the determination of the Delaware Court of Chancery, the appraised fair value of your shares of Serena common stock, which will be paid to you if you seek an appraisal and comply with all requirements of Delaware law, may be more than, less than or equal to the per share consideration to be paid in the merger.

Merely voting against the adoption of merger agreement will not preserve your appraisal rights under Delaware law. In order to validly exercise and perfect appraisal rights under Section 262 of the Delaware General Corporation Law, among other things, you must not vote for the adoption of the merger agreement and you must deliver to Serena written demand for appraisal in compliance with Delaware law prior to the vote on the merger agreement at the special meeting. Failure to take all of the steps required under Delaware law may result in the loss of your appraisal rights.



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**Q: Who can help answer my other questions?**

A: The information provided above in the summary term sheet and in the question and answer format is for your convenience only and is merely a summary of the information contained in this proxy statement. You should carefully read this entire proxy statement, including the documents annexed to this proxy statement and the documents we refer to or incorporate by reference in this proxy statement. If you have more questions about the special meeting or the merger, you should contact Investor Relations at [ir@serena.com](mailto:ir@serena.com) or by telephone at (650) 522-6501. You may also contact our proxy solicitor, D.F. King & Co., Inc., at:

D.F. King & Co., Inc.

48 Wall Street

New York, NY 10005

(212) 269-5550 (collect)

(800) 549-6746 (toll-free)



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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION**

This proxy statement, the annexes attached to this proxy statement, the documents incorporated by reference in this proxy statement and the documents to which we refer you in this proxy statement may contain forward-looking statements. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements that are not historical facts. The words expects, anticipates, intends, plans, believes, seeks, estimates and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed under Factors That May Affect Future Results under Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q incorporated by reference in this proxy statement. Factors that could cause or contribute to such differences include but are not limited to: the percentage of license revenue typically closed at the end of each quarter, making estimation of operating results prior to the end of the quarter extremely uncertain; our ability to successfully integrate our acquisition of Merant plc; economic conditions worldwide which may continue to affect the overall demand for software and services, which has resulted in and could continue to result in decreased revenues or lower revenue growth rates in the future; changes in revenue mix and seasonality; dependence on revenues from our installed base; continued demand for additional mainframe MIPS capacity; our ability to complete the assessment of internal controls over financial reporting as of January 31, 2006, as required by Section 404 of the Sarbanes-Oxley Act, which may impact market perception of the reliability of our internal controls over financial reporting and thus adversely affect the market price of our common stock; expansion of our international organizations; and our ability to manage our growth.

Statements about the expected timing, completion and effects of the proposed merger, the possibility of satisfying the conditions of the debt financing for the merger, and the litigation related to the merger also constitute forward-looking statements. We may not be able to complete the proposed merger on the terms described in this proxy statement or other acceptable terms or at all because of a number of factors, including the failure to obtain stockholder approval, the failure to obtain the necessary financing for the merger or the failure to satisfy the other closing conditions. In addition to other factors and matters contained in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

the satisfaction of the conditions to consummate the merger, including the receipt of the required stockholder and regulatory approvals;

the actual terms of the financing arrangements obtained in connection with the merger;

the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement;

the outcome of the legal proceedings that have been instituted against us and others following announcement of the merger agreement;

the failure of the merger to close for any other reason;

the amount of the costs, fees, expenses and charges related to the merger; and

our substantial indebtedness following the consummation of the merger.

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All forward-looking statements contained or incorporated by reference in the proxy statement speak only as of the date of this proxy statement or as of such earlier date that those statements were made and are based on current expectations or expectations as of such earlier date and involve a number of assumptions, risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements. Except as required by law, we undertake no obligation to update or publicly release any revisions to these forward-looking statements or reflect events or circumstances after the date of this proxy statement.

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**SPECIAL FACTORS**

**Background of the Merger**

The board of directors and management of Serena regularly evaluate Serena's business and operations as well as the company's strategic direction and prospects. Over the course of the last several years, management has from time to time discussed potential transactions with strategic parties, including possible business combinations with other companies. Other than Serena's acquisition of Merant plc in 2004, none of these discussions progressed beyond the preliminary stage or resulted in any specific proposals.

On May 20, 2005, Mark Woodward, the President and Chief Executive Officer and a director of Serena, and Robert Pender, the Chief Financial Officer and a director of Serena, met with a representative of Merrill Lynch & Co., or Merrill Lynch, to discuss potential strategic alternatives for Serena. As part of this meeting, the Merrill Lynch representative discussed a wide variety of strategic alternatives, including a going-private transaction, and offered to coordinate meetings between management and private equity firms to explore these and other alternatives. At the request of Messrs. Woodward and Pender, following the meeting Merrill Lynch contacted five private equity firms in an effort to arrange these meetings.

On June 2, 2005, Kenneth Hao, a managing director of Silver Lake Partners, had an initial meeting with Mark Woodward and Robert Pender. The meeting was arranged by representatives of Merrill Lynch, and the purpose of the meeting was to introduce Serena's management to Silver Lake Partners, for Serena's management to learn more about Silver Lake Partners, including Silver Lake Partners' investment philosophy and focus, and for Silver Lake Partners to learn more about Serena.

On June 14, 2005, Mark Woodward, Robert Pender and a representative of Merrill Lynch met with a representative of a second private equity firm.

On June 15, 2005, Mark Woodward and Robert Pender met with a representative of Merrill Lynch to discuss the meetings with Silver Lake Partners and the second private equity firm. The Merrill Lynch representative updated the management team on his efforts to arrange meetings with other private equity sponsors.

On June 16, 2005, Mark Woodward and Robert Pender met with representatives of a third private equity firm. On June 22, 2005, Mr. Woodward had a lunch meeting with a representative of the third private equity firm to continue their earlier discussions.

On June 24, 2005, Serena and an affiliate of Silver Lake Partners entered into a non-disclosure agreement which included, among other things, a requirement that Silver Lake Partners and its representatives keep confidential any non-public information provided by Serena and a standstill restriction applicable to Silver Lake Partners.

On June 28, 2005, David Roux and Kenneth Hao, managing directors of Silver Lake Partners, met with Mark Woodward and Robert Pender. The participants at the meeting continued their discussions regarding Serena and Silver Lake Partners, including Silver Lake Partners' potential

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interest in pursuing an investment in, or acquisition of, Serena.

On June 29, 2005, Mark Woodward and Robert Pender met with representatives of a fourth private equity firm. The fifth private equity firm that Merrill Lynch contacted decided not to meet with Serena's management. In connection with the meetings with the four other private equity firms, Serena entered into non-disclosure agreements with those firms that requested receipt of confidential information.

On June 29, 2005, David Roux, Kenneth Hao and Hollie Moore, a director of Silver Lake Partners, met with Mark Woodward and Robert Pender to continue discussions regarding Silver Lake Partners' potential interest in pursuing a transaction involving Serena.

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Silver Lake Partners began a preliminary financial and business due diligence review of Serena on July 1, 2005. From this date through August 25, 2005, Silver Lake Partners reviewed financial and other business information provided by Serena and held discussions with Serena's senior management regarding Serena's business, operations, financial results, financial condition and prospects.

The board of directors of Serena met on July 5, 2005. At the meeting, members of senior management updated the board on Serena's business and financial condition, financial and operating results and recent stock price performance, which was lower than management expected in light of Serena's acquisition of Merant and the expansion of Serena's business. Management discussed with the board the merits of evaluating various alternatives for Serena to seek to increase stockholder value.

On July 7, 2005, Mark Woodward had a telephone conference with David Roux of Silver Lake Partners during which Mr. Roux expressed Silver Lake Partners' interest in continuing to learn more about Serena.

On July 14, 2005, Mark Woodward and Robert Pender met again with representatives of one of the private equity firms other than Silver Lake Partners. The purpose of the meeting was to allow the private equity firm to conduct more detailed financial and business due diligence on Serena, including a discussion of product strategies and future direction of Serena.

On August 3, 2005, David Roux met with David G. DeWalt, an independent member of the board of directors. During this meeting, Mr. Roux provided background information regarding Silver Lake Partners and various alternatives Mr. Roux believed Serena potentially could consider, including a potential transaction with Silver Lake Partners.

On August 8, 2005, David Roux and Hollie Moore of Silver Lake Partners had a telephone conference with Mark Woodward and Robert Pender to discuss how Silver Lake Partners could determine the receptivity of Douglas Troxel, who is the Chairman of the Board and Chief Technology Officer of Serena and the holder of approximately 28% of Serena's outstanding shares, to a potential transaction involving Silver Lake Partners. At the end of the call, Messrs. Woodward and Pender agreed to try to set up a meeting between Silver Lake Partners and Mr. Troxel.

On August 9, 2005, David Roux, Mark Woodward, Robert Pender and Douglas Troxel had a telephone conference in which Mr. Roux provided Mr. Troxel with background information regarding Silver Lake Partners. Mr. Roux also discussed various alternatives Mr. Roux believed Serena potentially could consider, and indicated that based on its work to date Silver Lake Partners was interested in further pursuing a potential transaction involving Serena, although no specific proposals were made.

On August 17, 2005, at a meeting of Serena's audit committee, Mark Woodward and Robert Pender informed the members of the audit committee that Serena's management was evaluating going private as a strategic alternative for Serena, and requested that Silver Lake Partners be permitted to make a presentation to the independent directors regarding going private transactions. The members of the audit committee agreed, subject to an opportunity for a board discussion on the matter prior to the presentation by Silver Lake Partners.

On August 24, 2005, Mark Woodward, Robert Pender and a representative of Merrill Lynch met with David Roux at Silver Lake Partners to discuss the private equity market.

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The board of directors met on August 25, 2005. At the meeting, Mark Woodward and Robert Pender made a general presentation to the board of directors regarding strategic alternatives for Serena with a focus on going private. Following management's presentation, David Roux joined the meeting and made a presentation to the board of directors with respect to Silver Lake Partners' preliminary analysis of Serena based on Silver Lake Partners' initial due diligence, which included a preliminary valuation of Serena of \$22.00 per share. The Silver Lake Partners' presentation indicated that a going-private transaction potentially would include investments by

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current management of Serena in the privately-held company that would result from the transaction. Following the presentation by Silver Lake Partners, Messrs. Woodward and Pender reviewed for the board of directors Silver Lake Partners' discussions to date with senior management and Douglas Troxel. The independent members of the board, Carl Bass, J. Hallam Hal Dawson, David DeWalt and Gregory J. Owens, then met in executive session. During the executive session, in light of the potential interests of Messrs. Troxel, Woodward and Pender in any transaction with Silver Lake Partners, the independent directors decided that the board should form a special committee composed of all of the independent directors to represent the interests of the unaffiliated stockholders of Serena, and that the special committee should retain its own legal and financial advisors. The independent directors discussed the retention of outside counsel to advise the special committee and determined that their preference would be Wilson Sonsini Goodrich & Rosati, Professional Corporation, or WSGR. The full board then reconvened, at which time the board adopted the recommendations of the independent directors and formed a special committee consisting of Messrs. Bass, Dawson, DeWalt and Owens, to be co-chaired by Messrs. Dawson and Owens, to determine whether Serena should pursue a transaction with Silver Lake Partners or any other party, to evaluate alternatives for Serena and to negotiate on behalf of Serena the terms of any such transaction. The special committee expressed its desire to retain WSGR as its legal advisor. Management recommended a list of investment banks for the special committee to consider retaining as its financial advisor.

On August 30, 2005, the special committee met. The special committee indicated that it had communicated to WSGR the desire to retain the firm to act as its legal advisor. The special committee then discussed the investment banks recommended by management, but decided to reject those investment banks because of potential conflicts of interest arising out of management's involvement in the potential transaction. Instead, the special committee decided to consider other investment banking firms of its choosing as potential financial advisors.

Beginning on September 1, 2005 and continuing through the announcement of the signing of a merger agreement, Silver Lake Partners conducted additional financial and business due diligence on Serena, including participating in meetings with various members of Serena's senior management. During this same period, the legal, tax and accounting advisors of Silver Lake Partners conducted a due diligence review of Serena.

On September 1, 2005 and September 2, 2005, the members of the special committee met with representatives of two different investment banks to discuss their possible role as financial advisor to the special committee, including Morgan Stanley & Co. Incorporated, or Morgan Stanley.

On September 2, 2005, the members of the special committee also met with representatives of WSGR to discuss the potential transaction, including the selection of a financial advisor.

On September 8, 2005, the board of directors, including the members of the special committee, met at the offices of WSGR. Vita Strimaitis, the senior vice president, general counsel and corporate secretary of Serena, was present, along with representatives of WSGR. The representatives of WSGR disclosed to the board certain prior and current business relationships involving WSGR and its partners and Silver Lake Partners as well as prior and current business relationships between Morgan Stanley and Silver Lake Partners. The board questioned the representatives of WSGR on these matters, after which time the special committee decided to retain WSGR as its legal advisor. WSGR then reviewed the fiduciary obligations of the board and the special committee in general and in the specific context of the exploration of a transaction with Silver Lake Partners or another third party. Management reported on the prior history of discussions with Silver Lake Partners and other private equity firms and potential strategic acquirors. Following this discussion, Messrs. Troxel, Woodward and Pender left the meeting, at which time the special committee met. The special committee discussed with the WSGR representatives its prior meetings with representatives of investment banking firms and its process for selecting a financial advisor. After discussion, the members of the special committee determined to retain Morgan Stanley to advise the special committee. Morgan Stanley subsequently confirmed to WSGR that WSGR's disclosure to the special committee about Morgan Stanley's relationships with Silver Lake Partners was accurate.

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On September 9, 2005, Messrs. Dawson, Woodward and Pender met with representatives of Morgan Stanley and WSGR at the offices of Morgan Stanley. Messrs. Woodward and Pender discussed the background of the potential transaction with Silver Lake Partners, discussed other potential financial and strategic parties that previously had been contacted by management and made a presentation regarding Serena's business. At the conclusion of the meeting, it was agreed that the Morgan Stanley representatives would initially contact Silver Lake Partners and the four other private equity firms with which Serena's management or its advisors had had previous discussions for the purpose of confirming what information they previously had received as well as their level of continued interest regarding pursuing a transaction with Serena.

Between September 9, 2005 and September 16, 2005, representatives of Morgan Stanley contacted each of the four private equity firms other than Silver Lake Partners with which Serena's management or Merrill Lynch had had previous discussions. During the course of these discussions, the representatives of Morgan Stanley offered to provide each of these parties with updated financial information and to arrange additional face-to-face meetings between each of these parties and members of Serena's management in order to allow each of these parties to conduct further due diligence on Serena. During those discussions, none of these other four private equity firms indicated an interest in pursuing a transaction with Serena on terms as favorable as those proposed by Silver Lake Partners, if at all.

On September 15, 2005, Mr. Dawson had a telephone conference with a representative of Morgan Stanley to discuss the status of Morgan Stanley's efforts in contacting other potential financial partners with which Serena's management or its advisors had had previous discussions. The Morgan Stanley representative reported on the results of Morgan Stanley's discussions with three of the four private equity firms other than Silver Lake Partners with which Serena's management had had previous discussions. The Morgan Stanley representative advised Mr. Dawson that Morgan Stanley recommended that the special committee contact other potential financial and strategic parties in addition to those that management and, subsequently, representatives of Morgan Stanley, had previously contacted. The Morgan Stanley representative also indicated that representatives of Morgan Stanley would attend due diligence meetings with potential financing sources for the Silver Lake transaction. Representatives of Morgan Stanley subsequently contacted the fourth private equity firm other than Silver Lake Partners with which Serena's advisors had had previous discussions.

On September 15, 2005, Mark Woodward, Robert Pender and other members of Serena's management attended a due diligence meeting with representatives of Silver Lake Partners and Silver Lake Partners' potential debt financing sources. Representatives of Morgan Stanley also attended this meeting. Subsequent to this meeting, the potential lenders conducted further financial and legal due diligence of Serena through the date on which the signing of a merger agreement was announced, including participation in further meetings with Serena's senior management and advisors.

On September 16, 2005, David Roux and Douglas Troxel discussed the results of Silver Lake Partners' due diligence to date, as well as the potential transaction involving Serena and Silver Lake Partners. Messrs. Roux and Troxel also discussed the potential participation of Mr. Troxel in the transaction through the rollover of a significant portion of Mr. Troxel's equity interest into the new privately-held company that would result from a going-private transaction. While Mr. Troxel indicated that he would potentially be interested in participating in such a transaction under the right terms and conditions, no agreement was reached regarding Mr. Troxel's participation in such a transaction.

On September 16, 2005, the special committee held a meeting at the offices of Morgan Stanley. Present at the meeting were representatives of Morgan Stanley and WSGR and, for a portion of the meeting, Messrs. Woodward and Pender. The representatives of WSGR began the meeting with a discussion of the fiduciary duties owed by the special committee to Serena and its stockholders, both in general and in view of the preliminary proposal received by Silver Lake Partners. Messrs. Woodward and Pender then joined the meeting, at which time the representatives of Morgan Stanley made a presentation to the special committee that included certain preliminary financial analyses of Serena and certain preliminary analyses of comparable companies and



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comparable transactions. The participants then discussed the relative merits of exploring discussions with other private equity firms and potential strategic parties. The representatives of Morgan Stanley reviewed the four private equity firms, in addition to Silver Lake Partners, with which Serena's management or Merrill Lynch had already had preliminary discussions and the status of those discussions. The representatives of Morgan Stanley then discussed other private equity firms and other potential financial and strategic parties that Serena could approach, and the meeting participants discussed the rationale that each potential party might have for exploring a transaction with Serena. Messrs. Woodward and Pender then left the meeting. The special committee then directed the representatives of Morgan Stanley to contact certain additional private equity firms and other potential financial and strategic parties about the possibility of entering into a transaction with Serena.

Following the September 16, 2005 meeting of the special committee and throughout the remainder of September 2005, representatives of Morgan Stanley contacted representatives from five additional potential financial parties and four potential strategic parties to explore their respective interests in pursuing a transaction with Serena. During this timeframe, representatives of Morgan Stanley also continued to solicit any indications of interest from each of the four private equity firms other than Silver Lake Partners with which representatives of Morgan Stanley had previously been in contact. The representatives from Morgan Stanley asked each of the new parties that expressed interest in exploring a potential transaction with Serena to sign a confidentiality agreement and offered those parties financial information about Serena. During the course of these discussions, the representatives of Morgan Stanley also offered to arrange face-to-face meetings between each of these parties and members of Serena's management in order to allow each of these parties to conduct due diligence on Serena.

Representatives of Silver Lake Partners periodically contacted representatives of Morgan Stanley during early and mid-September to inquire about the expected timing of the special committee's consideration of Silver Lake Partners' preliminary proposal. Silver Lake Partners also indicated in these conversations that if the special committee were prepared to proceed expeditiously with Silver Lake Partners, Silver Lake Partners would be willing to negotiate a transaction with Serena that would provide Serena with significant flexibility to consider, and potentially accept, alternative transactions after a definitive agreement had been signed.

On September 18, 2005 and September 19, 2005, Mr. Dawson spoke with the other members of the special committee regarding soliciting a more favorable proposal from Silver Lake Partners. On September 19, 2005, Mr. Dawson instructed a representative of Morgan Stanley to propose to Silver Lake Partners that it acquire Serena at a purchase price of \$26.00 per share. On September 20, 2005, representatives of Morgan Stanley presented this proposal to David Roux of Silver Lake Partners, who did not accept the proposal. The Morgan Stanley representatives reported the outcome of this discussion to Messrs. Dawson and Owens of the special committee, at which time Messrs. Dawson and Owens instructed Morgan Stanley to continue to explore the interest of other potential financial and strategic parties in engaging in a transaction with Serena.

After David Roux's conversation with representatives of Morgan Stanley on September 20, 2005, representatives of Silver Lake Partners indicated to Mark Woodward and Robert Pender that Silver Lake Partners wanted the opportunity to present a revised proposal to the special committee.

On September 26, 2005, a representative of Morgan Stanley updated Hal Dawson regarding the potential transaction with Silver Lake Partners and Morgan Stanley's efforts to contact other parties that might be interested in a transaction with Serena. Mr. Dawson also had a discussion with a representative of WSGR regarding the progress of the potential transaction with Silver Lake Partners.

On September 26, 2005, Mark Woodward and Robert Pender met with representatives of Morgan Stanley to discuss the status of Morgan Stanley's efforts in evaluating other potential strategic alternatives and to prepare management for meetings with possible strategic parties and private equity firms.

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On September 27, 2005, Mark Woodward and Robert Pender met with a representative of a sixth private equity firm. Representatives of Morgan Stanley arranged and were present at the meeting. The purpose of the meeting was to allow the private equity firm to conduct preliminary financial and business due diligence on

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Serena, including a discussion of product strategies and future direction of Serena, and to discuss various strategic alternatives for Serena, including the private equity firm potentially acquiring Serena in a going-private transaction.

On September 27, 2005, Mark Woodward and Robert Pender met with representatives of WSGR to discuss the status of the potential transaction with Silver Lake Partners and the other alternatives being explored by Serena.

On September 28, 2005, Hal Dawson discussed with representatives of Morgan Stanley and WSGR Silver Lake Partners' request to present a revised transaction proposal to the special committee at its meeting scheduled for October 5, 2005. Mr. Dawson agreed to the request, subject to Silver Lake Partners' agreeing to preview its proposal with Morgan Stanley prior to the special committee meeting.

On September 30, 2005, representatives of Morgan Stanley met with David Roux, Hollie Moore and Todd Morgenfeld, a principal of Silver Lake Partners, to review the status and timing of a potential revised transaction proposal from Silver Lake Partners, as well as to discuss certain results of Silver Lake Partners' due diligence investigation of Serena.

Throughout late September and early October 2005, representatives of Morgan Stanley continued their discussions with the additional private equity firms and other potential strategic parties concerning a potential transaction between each of such parties and Serena.

In early October 2005, representatives of Morgan Stanley had discussions with two additional private equity firms that had contacted Morgan Stanley to inquire about the possibility of a potential transaction with Serena. In response to these inquiries, representatives of Morgan Stanley offered to provide each of these parties with financial information about Serena and to arrange face-to-face meetings between each of these parties and members of Serena's management in order to allow each of these parties to conduct due diligence on Serena. One of these two private equity firms requested access to confidential information and signed a non-disclosure agreement. Following these initial contacts, neither party expressed any further interest in meeting with Serena.

On October 3, 2005, Mark Woodward and Robert Pender met with a representative of a seventh private equity firm. Representatives of Morgan Stanley arranged and were present at the meeting. The purpose of the meeting was to allow the private equity firm to conduct preliminary financial and business due diligence on Serena, including a discussion of product strategies and future direction of Serena, and to discuss various strategic alternatives for Serena, including the private equity firm potentially acquiring Serena and the possibility of a going-private transaction.

On October 4, 2005, at a meeting with representatives of Morgan Stanley, representatives of Silver Lake Partners indicated that its revised proposal to the special committee provided for a price of \$23.00 per share of Serena common stock. In addition, the representatives of Silver Lake Partners indicated that Silver Lake Partners had received commitment letters from its potential debt financing sources.

The special committee met again on October 5, 2005 at the offices of Morgan Stanley. Representatives of Morgan Stanley and WSGR attended the meeting. Also present for portions of the meeting were Messrs. Troxel, Woodward and Pender and Vita Strimaitis. The meeting began with the members of the special committee meeting in executive session with representatives of Morgan Stanley and WSGR. The representatives of Morgan Stanley discussed its discussions to date with Silver Lake Partners, including a proposed \$23.00 per share offer. The representatives of Morgan Stanley then discussed Silver Lake Partners' proposed price for Serena in the context of the historical range of prices for the common stock of Serena and the projections of analysts who covered Serena's common stock. The special committee then discussed with the representatives of Morgan Stanley the spectrum of potential parties who might be interested in a transaction with Serena, including private

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equity firms and strategic parties as well as certain standalone alternatives and the relative merits of each. Serena's capital structure was discussed in detail and the likely effects of adjustments to Serena's financial leverage were considered. The representatives of Morgan Stanley reviewed the list of private equity firms and

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strategic parties contacted by Morgan Stanley to date to gauge the extent of interest in the marketplace for a transaction with Serena and updated the special committee as to the status of those discussions. The representatives of Morgan Stanley made a presentation to the special committee that included preliminary financial analyses of Serena and preliminary analyses of comparable companies and comparable transactions. The special committee next considered and discussed with its advisors various possible responses to the proposal from Silver Lake Partners, and decided to reject the Silver Lake Partners' proposal. Then, Messrs. Troxel, Woodward and Pender joined the meeting and discussed the recent financial and stock performance of Serena and the outlook for the third quarter. The meeting participants then discussed the relative merits of, and potential for, taking Serena private, combining with a strategic party, or maintaining the current status and restructuring Serena's capital structure with additional debt financing. After concluding the meeting, the special committee reconvened later in the day at the offices of Silver Lake Partners. At the reconvened meeting, the special committee informed Mr. Roux and Ms. Moore of Silver Lake Partners that the special committee was unwilling to accept the \$23.00 per share offer. Mr. Roux and Ms. Moore then made a presentation detailing Silver Lake Partners' proposal to acquire Serena. After the presentation from Silver Lake Partners, the special committee reconvened at the offices of Morgan Stanley and again discussed with its advisors and Serena management the relative merits and risks of selling Serena to a private equity firm versus seeking to combine with a strategic acquiror versus various standalone alternatives. Finally, the special committee again met in executive session with its legal and financial advisors, at which time the special committee directed a representative of WSGR to indicate to Silver Lake Partners that the special committee would be willing to consider an offer to acquire Serena at a price in excess of \$24.00 per share.

Following the special committee meeting on October 5, 2005, at the direction of the special committee, representatives of Morgan Stanley continued their ongoing discussions with additional private equity firms and other potential financial and strategic parties about the possibility of entering into a transaction with Serena.

On October 6, 2005, a representative of WSGR spoke with David Roux at Silver Lake Partners to communicate the special committee's willingness to consider an offer to acquire Serena at a price in excess of \$24.00 per share, and subsequent to that conversation the representative of WSGR informed Hal Dawson of the communication with Silver Lake Partners.

On October 7, 2005, a representative of WSGR spoke again with David Roux of Silver Lake Partners, who informed the WSGR representative that the investment committee at Silver Lake Partners had approved an increase of the per share price for Serena to \$23.25. The representative of WSGR then communicated to Hal Dawson the revised proposal of Silver Lake Partners.

On October 10, 2005, Mark Woodward and Robert Pender met with representatives of a potential strategic party at the offices of WSGR. Representatives of Morgan Stanley arranged and were present at the meeting. The purpose of the meeting was to allow the potential strategic party to conduct preliminary financial and business due diligence on Serena and to discuss the potential for a strategic combination.

On October 10, 2005, Douglas Troxel called Hal Dawson to discuss the status of the potential transaction with Silver Lake Partners.

On October 10, 2005, the special committee met to discuss the options available to Serena. The members of the special committee agreed that they should insist on \$24.00 per share as the minimum price at which they would consider any transaction with Silver Lake Partners. Following the special committee meeting, Messrs. Dawson and Owens communicated this position to a representative of WSGR, who agreed to communicate the \$24.00 per share price to Silver Lake Partners. Mr. Dawson also contacted a representative of Morgan Stanley to update Morgan Stanley on the position of the special committee.

On October 10, 2005, representatives from Morgan Stanley suggested to Messrs. Dawson, Woodward and Pender the concept of structuring a transaction with Silver Lake Partners in which all of Serena's stockholders



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other than Douglas Troxel could receive a higher price per share if Mr. Troxel would agree to contribute to Spyglass Merger Corp. a significant portion of his Serena shares at a lower value per share. Due to the relative size of Mr. Troxel's holdings of Serena common stock as compared to the holdings of the other members of Serena's management, a similar discount in the value of the per share amount for any shares of Serena common stock that the other members of Serena's management might contribute to the surviving corporation in the merger transaction was not discussed.

On October 11, 2005, a representative of WSGR had several conversations with David Roux. During these conversations, Mr. Roux indicated that Silver Lake Partners was willing to increase the per share price to \$23.50 and the representative of WSGR indicated that \$24.00 per share was the minimum price the special committee would consider with respect to the potential transaction. Mr. Roux also suggested potentially exploring a minority investment by Silver Lake Partners in Serena as an alternative to acquiring Serena, although neither the price nor any other specific terms of such an investment were discussed. Subsequently on October 11, 2005, the representative of WSGR reported the results of these conversations to Hal Dawson.

On October 11, 2005 and October 12, 2005, representatives of Morgan Stanley had several discussions with representatives of Silver Lake Partners regarding Silver Lake Partners' most recent proposal. During these discussions, the representatives of Morgan Stanley discussed the possibility that all of Serena's stockholders other than Douglas Troxel could receive \$24.00 per share if Mr. Troxel would agree to contribute to Spyglass Merger Corp. a significant portion of his Serena shares at a lower value per share, the net effect of which would be that Silver Lake Partners' effective per-share purchase price in the transaction would be \$23.50 per share.

On October 12, 2005, a representative of Morgan Stanley contacted a representative of Silver Lake Partners and reiterated that \$24.00 per share was the minimum price that the special committee would consider in connection with the potential transaction and the representative of Silver Lake Partners indicated that Silver Lake Partners was unable to agree to a price of greater than \$23.50 per share. Later in the day, after a series of communications among the parties, Silver Lake Partners determined that it would be prepared to proceed at \$24.00 per share if Douglas Troxel would be willing to accept a lower price with respect to shares that he would contribute to Spyglass Merger Corp. as part of the transaction. At the request of Silver Lake Partners, Mark Woodward and Robert Pender asked Mr. Troxel if he would consider contributing approximately two-thirds of his shares of Serena common stock to Spyglass Merger Corp. at a value of \$20.50 per Serena share. After the conversation with Messrs. Woodward and Pender, Mr. Troxel indicated that he would be prepared to consider Silver Lake Partners' proposal if the other terms and conditions of the transaction were acceptable to Mr. Troxel. Silver Lake Partners then conveyed to the special committee a revised proposal of \$24.00 per share and indicated that its revised proposal was conditioned on Mr. Troxel agreeing to contribute approximately two-thirds of his shares of Serena common stock to Spyglass Merger Corp. at a value of \$20.50 per share. Silver Lake Partners also indicated that, while the possibility of Mr. Troxel contributing his shares to Spyglass Merger Corp. at a value lower than \$24.00 per share had been discussed with Mr. Troxel, no agreement with Mr. Troxel to do so had been reached.

The special committee met to consider Silver Lake Partners' revised proposal on October 13, 2005 at the offices of Morgan Stanley. Representatives of Morgan Stanley and WSGR attended the meeting, as did Messrs. Troxel, Woodward and Pender for a portion of the meeting. The special committee first met with its legal and financial advisors. The representatives of Morgan Stanley provided an update on its discussions with various potential strategic parties, including one party that had expressed an interest in pursuing discussions with Serena. The special committee determined that it would be in the best interests of Serena to continue a dialogue with the potential strategic party and instructed Morgan Stanley to do so on behalf of Serena. The representatives of Morgan Stanley then discussed the latest proposal received from Silver Lake Partners. The representatives of Morgan Stanley also provided an update regarding its discussions with other potential private equity buyers. The representatives of WSGR then advised the special committee on its fiduciary obligations, both generally and in view of the Silver Lake Partners' proposal. Messrs. Troxel, Woodward and Pender then joined the meeting, at which time Mr. Pender discussed projections for Serena's operating results for the fiscal third quarter ending

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October 31, 2005 and for the fiscal fourth quarter ending January 31, 2006. Management also discussed the status of key initiatives and customers. The representatives of Morgan Stanley then discussed general market conditions in the software industry, noting recent pre-announcements of earnings by certain software companies and the generally negative reaction of the markets to the data contained in those pre-announcements. Management also provided an update on the due diligence being conducted by Silver Lake Partners and the financing for the proposed transaction. At the conclusion of the meeting, the special committee indicated to its advisors to pursue the proposed transaction with Silver Lake Partners while continuing to explore other alternatives. After the meeting, Hollie Moore of Silver Lake Partners updated the special committee regarding the status of confirmatory legal and financial diligence. Ms. Moore provided a presentation to the special committee that outlined the proposed transaction structure and valuation of Silver Lake Partners' proposal. Ms. Moore also reported that Silver Lake Partners had received draft commitment letters from several banks and was continuing to negotiate to improve a number of financing terms.

Following this meeting, representatives of Morgan Stanley continued to pursue discussions with the representatives of the potential strategic party with which they first met on October 10, 2005.

On October 19, 2005, Simpson Thacher & Bartlett LLP, counsel to Silver Lake Partners, sent an initial draft of the merger agreement to WSGR.

On October 24, 2005, at a lunch meeting, Mark Woodward, Robert Pender, David Roux, Todd Morgenfeld and Hollie Moore conducted preliminary discussions with respect to the potential terms of employment of Messrs. Woodward and Pender after completion of any transaction, as well as related equity incentive plans.

On October 25, 2005, Simpson Thacher sent to Gibson, Dunn & Crutcher LLP, counsel to Douglas Troxel, a draft term sheet with respect to Mr. Troxel's potential participation in the proposed transaction with Silver Lake Partners.

The special committee met again on October 31, 2005, at the offices of WSGR. Representatives of Morgan Stanley and WSGR and Robert Pender were also present at the meeting. Mr. Pender updated the special committee on expected financial results for the third fiscal quarter. The special committee next discussed with its advisors and Mr. Pender the recent increase in Serena's stock price and trading volume, and the possibility that there might be market speculation about a potential transaction. The WSGR representatives discussed the draft merger agreement, the draft term sheet prepared by Silver Lake Partners setting forth the proposed terms of the contribution of shares by Douglas Troxel and related governance matters concerning Serena following completion of the proposed transaction, and the initial discussion between senior management and Silver Lake Partners regarding proposed compensatory and other arrangements for management. The special committee instructed WSGR with regard to the continued negotiation of the terms of the proposed transaction with Silver Lake Partners. Mr. Pender also discussed with the special committee the status of management's negotiations with Silver Lake Partners concerning compensatory and other arrangements and the status of Silver Lake Partners' efforts to secure financing for the proposed transaction.

WSGR delivered its initial comments on the draft merger agreement to Simpson Thacher on November 1, 2005.

On November 1, 2005, David Roux had a follow up conversation with Mark Woodward and Robert Pender regarding potential management employment agreements and equity incentive plans.

On November 3, 2005, representatives of Simpson Thacher and WSGR had a telephone conference to discuss and negotiate the terms of the draft merger agreements.



A meeting of the board of directors of Serena was held on November 4, 2005. Representatives of Morgan Stanley and WSGR were present at the meeting. Mr. Pender discussed the projected third fiscal quarter financial

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results. The representatives of Morgan Stanley made a presentation regarding Serena's historical stock price and various preliminary valuation considerations, including summary historical and projected financial performance and a preliminary discounted equity value analysis. The recent increase in the Serena stock price was discussed. The meeting participants expressed the belief that there had not been any change in the business or prospects of Serena and that the stock price increase was likely the result of market speculation about a potential transaction.

On November 4, 2005, Hal Dawson discussed with representatives of Morgan Stanley the status of the discussions with a strategic party. The representatives of Morgan Stanley reported that the potential party had expressed some strategic interest but was not prepared to move forward and negotiate a transaction at the present time.

On November 4, 2005, Simpson Thacher delivered to Gibson Dunn an initial draft of the contribution and voting agreement, which contemplated the contribution of a portion of Mr. Troxel's shares of Serena common stock to Spyglass Merger Corp. and his agreement to vote his shares in favor of the merger and against any competing proposals.

On November 5, 2005, Simpson Thacher delivered to Gibson Dunn, counsel to Messrs. Woodward and Pender, initial drafts of agreements setting forth the potential terms of employment of Mark Woodward and Robert Pender after the merger and the related equity arrangements.

During the period from November 5, 2005 through November 11, 2005, representatives of Simpson Thacher and WSGR continued to negotiate the terms of the merger agreement.

During the period between November 5, 2005 and November 11, 2005, representatives of Simpson Thacher and Gibson Dunn negotiated the terms of the agreements related to Mr. Troxel's participation in the transaction, including a stockholders agreement that he, the Troxel Trust and Silver Lake Partners would enter into upon the closing of the merger. During this same period, Messrs. Woodward and Pender and representatives of Silver Lake Partners, Gibson Dunn and Simpson Thacher negotiated the severance and other employment terms for Messrs. Woodward and Pender, as well as their investment commitment and equity participation in the surviving corporation.

On November 9, 2005, a telephonic meeting of the special committee was held. Also present were Douglas Troxel, Mark Woodward, Robert Pender, Vita Strimaitis, representatives of Morgan Stanley and representatives of WSGR. The special committee discussed with its advisors and management the recent increase in Serena's stock price. The representatives of Morgan Stanley made a presentation to the special committee during which they discussed their most recent valuation analyses concerning Serena and the proposed transaction with Silver Lake Partners. The representatives of Morgan Stanley also discussed the other potential financial sponsors and strategic parties that had been contacted by or on behalf of Serena in its efforts to explore alternative strategic transactions and the fact that no other party had submitted a proposal to undertake a transaction with Serena or had indicated that they intended to submit such a proposal. The WSGR representatives then discussed the current status of the proposed terms of the definitive transaction agreements. The WSGR representatives also reviewed with the special committee its fiduciary obligations in the context of the proposed transaction.

On November 10, 2005, meetings of the special committee and of the board of directors were held. Special committee members Hal Dawson, Gregory Owens, Carl Bass and, for a portion of the meetings, David DeWalt were present, as were directors Mark Woodward and Robert Pender. Also present were Vita Strimaitis and representatives from Morgan Stanley and WSGR. Mr. Pender reported on certain financial data reflecting the economics for members of management of certain aspects of the proposed transaction with Silver Lake Partners. A representative from WSGR discussed the fiduciary obligations of the board of directors and the special committee in light of the proposed transaction, including discussions of the efforts undertaken by the board of directors and the special committee to explore alternative transactions, the rights negotiated by the special committee to terminate the proposed transaction with Silver Lake Partners to accept an alternative superior



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transaction under certain circumstances and the efforts of the board of directors and the special committee to be informed and analyze the fairness of the consideration to be received by the unaffiliated stockholders of Serena. The board of directors discussed a number of factors, including: its fiduciary duties; the recent upward movement in Serena's stock and the efforts undertaken by the board of directors and the special committee's advisors to understand this movement in the context of the recently completed fiscal quarter and rumors about a possible transaction; its views as to the long term prospects for Serena, including whether its views could have changed as a result of Serena's recently completed fiscal quarter and recent stock price movement; the merits of the proposed transaction with Silver Lake Partners and the risks and merits of not pursuing the transaction or not entering into the proposed transaction prior to the announcement of Serena's most recent quarterly results. The representatives of Morgan Stanley made a presentation regarding their valuation analyses of two sets of financial projections for Serena, one based on Wall Street research and a second prepared by management, and management offered its views on their level of confidence in achieving the results forecasted in these projections and the impact on the projections of recent results. A representative of WSGR discussed the terms of the proposed merger agreement. The special committee then met in executive session to discuss the merits and risks of the proposed transaction with Silver Lake Partners and the other alternatives available to Serena. The members of the special committee concluded that, subject to receipt of a fairness opinion of Morgan Stanley, the proposed transaction with Silver Lake Partners was fair to and in the best interests of Serena's unaffiliated stockholders, and the special committee recommended the transaction to the board of directors.

The representatives of Morgan Stanley then discussed the valuation materials Morgan Stanley had prepared and distributed in connection with the meetings. The representatives of Morgan Stanley also discussed with the board of directors its relationships with Silver Lake Partners, which WSGR had previously disclosed to and discussed with the special committee. The representatives of Morgan Stanley reviewed with the board of directors the work it had completed to assess the fairness of the proposed transaction and the assumptions made in the course of its analyses. Morgan Stanley then rendered its oral opinion to the special committee, subsequently confirmed in writing, that the consideration to be received by the holders of shares of Serena's common stock pursuant to the proposed transaction with Silver Lake Partners is fair from a financial point of view to such holders, other than Douglas Troxel. The members of the special committee and the members of the board of directors present at the meeting then unanimously approved the terms of the merger agreement and the transactions contemplated by the merger agreement and determined the merger, on the terms and conditions set forth in the merger agreement, advisable and to be fair to and in the best interests of Serena's unaffiliated stockholders.

On November 10, 2005, the execution and delivery of the merger agreement and related transaction documents was approved by the board of directors of Spyglass Merger Corp. and by the investment committee of Silver Lake Partners.

On November 11, 2005, Serena and Spyglass Merger Corp. executed the merger agreement and issued a press release announcing the merger.

## **Recommendations of the Special Committee and the Board of Directors**

The special committee of our board of directors unanimously approved the merger agreement and the transactions contemplated by the merger agreement and determined the merger, on the terms and conditions set forth in the merger agreement, advisable and to be fair to and in the best interests of our unaffiliated stockholders. The special committee unanimously recommended that the board of directors approve and declare advisable the merger and the merger agreement, submit the merger agreement to our stockholders and recommend that our stockholders approve the merger and adopt the merger agreement. The special committee considered a number of factors, as more fully described above under "Special Factors Background of the Merger" and below under "Special Factors Reasons for the Special Committee's Recommendation," in determining to recommend that the board of directors and stockholders adopt the merger agreement. **The special committee unanimously recommends that you vote FOR the adoption of the merger agreement.**

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Our board of directors, acting upon the recommendation of the special committee, has approved the merger agreement and the transactions contemplated by the merger agreement, determined the merger, on the terms and conditions set forth in the merger agreement, advisable and to be fair to and in the best interests of our unaffiliated stockholders. The merger was unanimously approved by the directors present at the meeting called for that purpose, which included all of the directors except Douglas D. Troxel, who was absent from the meeting due to a prior commitment. The absence of Mr. Troxel from the meeting did not represent a disapproval of the merger agreement or a determination not to recommend that our stockholders vote for the adoption of the merger agreement. As described below under **Other Agreements** **Contribution and Voting Agreement**, Mr. Troxel has agreed to vote all shares of our common stock that he beneficially owns in favor of the adoption of the merger agreement. The board of directors considered a number of factors, as more fully described above under **Special Factors** **Background of the Merger** and below under **Special Factors** **Reasons for the Board's Recommendation**, in determining to recommend that the stockholders adopt the merger agreement. **Our board of directors recommends that you vote FOR the adoption of the merger agreement.**

### **Reasons for the Special Committee's Recommendation**

In reaching its conclusion regarding the fairness of the merger to the unaffiliated stockholders and its decision to approve the merger agreement and recommend its approval to the board of directors and our stockholders, the special committee considered the following factors, each of which the special committee believes supported its conclusion but which are not listed in any relative order of importance:

the special committee's belief that we face several challenges in our efforts to increase stockholder value as an independent publicly-traded company, including competition from companies with substantially greater scale, declining valuation multiples in our market sector and investor concern over our association with mainframe computing and that our long-term efforts to address these and other concerns are made more difficult by the short-term focus of the public equity markets on quarterly financial results;

the special committee's knowledge of our business, financial condition, results of operations and prospects and its belief that the merger is more favorable to our unaffiliated stockholders than any other alternative reasonably available to the company and our stockholders;

our recent financial performance, which included the failure to meet analysts' expectations during the first two quarters of the current fiscal year followed by higher than expected results in the recently completed third fiscal quarter;

estimated forecasts of our future financial performance prepared by our management, together with our management's view of our financial condition, results of operations, business and prospects;

the consideration to be received by our stockholders in the merger and a comparison of similar merger transactions;

the belief that the terms of the merger agreement, including the parties' representations, warranties and covenants, and the conditions to their respective obligations, are reasonable and were the product of arms-length negotiations between the special committee and its advisors and the Silver Lake investors and their advisors;

financial analyses and pro forma and other information with respect to Serena presented by Morgan Stanley to the special committee as discussed below under **Opinion of Morgan Stanley & Co. Incorporated**, including Morgan Stanley's opinion that the consideration to be paid pursuant to the merger agreement was fair from a financial point of view to the holders of our common stock, other than Douglas D. Troxel;

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the commitments for debt financing represented by the commitment letters described below under Special Factors Financing of the Merger, the equity commitment of the Silver Lake investors contained in the contribution and voting agreement and the sponsor guarantee under which up to \$52,350,000 is payable to us by Silver Lake Partners II, L.P. upon a final court determ