

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:

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| <input checked="" type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by |
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SERENA SOFTWARE, INC.

(Name of Registrant as Specified in its Charter)

N/A

(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:

2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

4) Date Filed:

- (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, 3rd 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, 3rd 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 s