

SERENA SOFTWARE INC
Form S-4/A
July 28, 2006
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As filed with the Securities and Exchange Commission on July 28, 2006

Registration No. 333-133641

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Serena Software, Inc.

(Exact name of registrant issuer as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

7372
(Primary Standard Industrial
Classification Code Number)

94-2669809
(I.R.S. Employer
Identification Number)

2755 Campus Drive, 3rd Floor
San Mateo, California 94403-2538
(650) 522-6600

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Robert I. Pender, Jr.
Chief Financial Officer
2755 Campus Drive, 3rd Floor
San Mateo, California 94403-2538
(650) 522-6600

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:
William B. Brentani
Simpson Thacher & Bartlett LLP
2550 Hanover Street
Palo Alto, California 94304
(650) 251-5000

Approximate date of commencement of proposed exchange offer: As soon as practicable after this Registration Statement is declared effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on

such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 28, 2006

PRELIMINARY PROSPECTUS

Serena Software, Inc.

Offer to Exchange

\$200,000,000 principal amount of its 10³/₈% Senior Subordinated Notes due 2016, which have been registered under the Securities Act of 1933, for any and all of its outstanding 10³/₈% Senior Subordinated Notes due 2016.

We are conducting the exchange offer in order to provide you with an opportunity to exchange your unregistered notes for freely tradable notes that have been registered under the Securities Act.

The Exchange Offer

We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradable.

You may withdraw tenders of outstanding notes at any time prior to the expiration date of the exchange offer.

The exchange offer expires at 5:00 p.m., New York City time, on _____, 2006, unless extended. We do not currently intend to extend the expiration date.

The exchange of outstanding notes for exchange notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes.

The terms of the exchange notes to be issued in the exchange offer are substantially identical to the outstanding notes, except that the exchange notes will be freely tradable.

Resales of the Exchange Offer

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The exchange notes may be sold in the over-the-counter market, in negotiated transactions or through a combination of such methods.

We do not plan to list the notes on any national market or securities exchange.

All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, we do not currently anticipate that we will register the outstanding notes under the Securities Act.

If you are a broker-dealer and you receive exchange notes for your own account, you must acknowledge that you will deliver a prospectus in connection with any resale of the exchange notes. By making such acknowledgement, you will not be deemed to admit that you are an underwriter under the Securities Act. Broker-dealers may use this prospectus in connection with any resale of exchange notes received in exchange for outstanding notes where the outstanding notes were acquired by the broker-dealer as a result of market-making activities or trading activities. We will make this prospectus available to any broker-dealer for use in any such resale for a period of up to 90 days after the date of this prospectus. A broker-dealer may not participate in the exchange offer with respect to outstanding notes acquired other than as a result of market-making activities or trading activities. See Plan of Distribution.

See Risk Factors beginning on page 16 for a discussion of certain risks that you should consider before participating in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the exchange notes to be distributed in the exchange offer or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2006.

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You should rely only on the information contained in this prospectus or in any related free writing prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of the prospectus.

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PROSPECTUS SUMMARY

*The following summary contains basic information about us and this offering. It likely does not contain all the information that is important to you. You should read the entire prospectus, including the financial data and related notes, before making an investment decision. Unless the context otherwise requires, in this prospectus, *Serena, we, our and us*, refer to Serena Software, Inc. and its subsidiaries.*

Our fiscal year ends on January 31 and, except as otherwise provided, references in this prospectus to a fiscal year mean the fiscal year ended on January 31 of such year. Fiscal year 2006, for example, refers to the fiscal year ended January 31, 2006.

Our Company

We are the largest global independent software company in terms of revenue focused solely on managing change across information technology, or IT, environments. Our products and services are used to manage and control change in mission critical technology and business process applications. Our software configuration management, business process management, helpdesk and requirements management solutions enable our customers to improve process consistency, enhance software integrity, mitigate risks, support regulatory compliance and boost productivity. Our revenue is generated by software licenses, maintenance contracts and professional services. Our customers rely on our software products, which are typically embedded within their IT environment, and are generally accompanied by renewable annual maintenance contracts. For the three fiscal years ended January 31, 2006, our maintenance revenue has grown at a compound annual growth rate of 32.2%, with an annual gross margin ranging from 87.5% to 90.3%. For the fiscal year ended January 31, 2006, we generated total revenue of \$255.8 million and maintenance revenue of \$136.0 million. For the three months ended April 30, 2006, we generated total revenue of \$54.9 million and maintenance revenue of \$31.4 million (on an aggregated predecessor/successor company basis).

Our software and services are of critical importance to our customers, who make significant investments in developing applications and automating IT processes around our software solutions. We have a diversified, global customer base with over 15,000 installations of our products at customer sites worldwide. Our customers include 96 of the Fortune 100 companies and industry leaders in the finance, telecommunications, automotive and transportation, healthcare, energy and power, equipment and machinery and technology industries, with no single customer accounting for 4% or more of our total revenue for the fiscal year ended January 31, 2006. During the same period, we generated 65.8%, 30.3% and 3.9% of our total revenue in North America, Europe and the Asia Pacific region, respectively.

Revenue generated from software licenses, maintenance contracts and professional services accounted for 35.4%, 53.2% and 11.4%, respectively, of our total revenue for the fiscal year ended January 31, 2006. Software license revenue is generated by the sale of perpetual software licenses to existing and new customers, and includes both upfront licenses as well as follow-on license purchases as customers expand capacity, add additional applications and users and develop a need for additional products to satisfy a broader set of requirements. Software licenses are generally accompanied by annual maintenance contracts, which are typically priced between 17% and 21% of the software license price. The annual maintenance contracts provide customers the right to obtain available updates, bug fixes and telephone support for our applications. We typically collect maintenance fees at the time the maintenance contract is entered into and recognize ratably such fees over the term of the contract. Professional services revenue is generated through services such as best practices implementations to facilitate the optimal installation and usage of our software, and technical consulting and education services.

We benefit from a high degree of revenue stability for several reasons. First, our revenue is generated predominantly from our existing customer base. For example, for the fiscal year ended January 31, 2006, approximately 86% of our software license revenue resulted from sales to existing customers. Second, under our

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standard maintenance contracts, we charge additional maintenance fees upon increases in the number of licensed users or the addition of processing power on the customer's mainframe computer system. Third, our customer base has historically renewed maintenance contracts with us at a high rate. The dollar value from our renewed annual maintenance contracts for the fiscal year ended January 31, 2006 was approximately 90% of the dollar value from such maintenance contracts in the preceding fiscal year. We refer to this percentage in this prospectus as our maintenance contract renewal rate. In addition, we have historically been able to increase our mainframe software list prices annually. Our revenue stability is also enhanced by the fact that much of our license revenue comes from contracts of relatively small dollar amounts. For example, approximately 46% of our software license revenue for the fiscal year ended January 31, 2006 was related to licensing contracts of less than \$100,000.

Our Products and Services

We develop, market and support an integrated, cross-platform suite of software products for managing and controlling change across both distributed systems and mainframe platforms. A distributed system platform allows applications to share resources over a distributed network using operating systems such as UNIX, Linux and Windows. A mainframe platform uses a centralized system with high processing power to support high-volume applications. Our solutions improve process consistency and enhance the integrity of software our customers create or modify. This helps protect our customers' valuable application assets and improve software developer productivity, operational efficiency, application availability and customers' return on IT investments, all of which ultimately reduces the costs of managing their IT environment. Our products serve a variety of market and customer needs and are grouped as follows:

ChangeMan: Software change management solution for many platform types and operating systems. Our *ChangeMan* product family includes a broad array of products that manage change on distributed system and mainframe platforms using operating systems such as z/OS, UNIX, LINUX, Windows and AS/400.

TeamTrack: Enterprise process management solution to map, track, and enforce IT requests and related operations processes. Our *TeamTrack* product allows customers to build and deploy integrated business processes that extend to all participants in a project, including departmental users, customers, suppliers and business partners.

RTM: Requirements and traceability management solution for tracking and managing software requirements. *RTM* is a critical tool in the development of application software that enables multiple users to quickly and easily access and monitor the specifications necessary for a successful project.

ProcessView Composer: Defines and models customer application software requirements, including business processes, user interfaces, system connections and application data. Our *ProcessView Composer* solution provides users and IT professionals a shared, visual way to communicate, collaborate and prototype software application functions prior to coding.

Collage: Enterprise-class Web content management solution. Our *Collage* solution manages change implementation workflow across the content on an organization's Internet, intranet and extranet sites.

StarTool: Application testing, implementation and problem analysis for mainframe systems. Our *StarTool* solution improves mainframe application availability through file and data management, data comparison, fault analysis, application performance management, input/output optimization and application test debugging.

In connection with the licensing of our software products, we typically enter into annual maintenance contracts that provide customers the right to obtain available updates, bug fixes and telephone support for our applications. In addition, we provide professional services on a global basis to our customers to deploy best practices implementations to facilitate the optimal installation and usage of our software. Our professional services offerings also include technical consulting and education services.

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The Merger and the Acquisition Transactions

On November 11, 2005, Spyglass Merger Corp. and Serena Software, Inc. entered into a merger agreement, pursuant to which Spyglass Merger Corp., or Spyglass, merged with and into Serena. This transaction occurred on March 10, 2006 and is referred to in this prospectus as the merger. Upon completion of the merger, each share of Serena common stock issued and outstanding immediately prior to the effective time of the merger (other than shares held in the treasury of Serena, owned by Spyglass or any direct or indirect wholly owned subsidiary of Spyglass or Serena that was not an employee benefit trust or held by stockholders who were entitled to and who properly exercised appraisal rights under Delaware law) was converted into the right to receive \$24.00 in cash, without interest. In addition, in connection with the merger, the Douglas D. Troxel Living Trust, or the Troxel Trust, and the Change Happens Foundation, each of which is an affiliate of Douglas D. Troxel, our founder and one of our directors, exchanged equity interests in Serena, which were valued for purposes of such exchange at approximately \$154.1 million, for equity investments in the surviving corporation. The Troxel Trust and the Change Happens Foundation are referred to together in this prospectus as the Troxel investors.

As described below and in The Merger and the Acquisition Transactions, Management and Related Party Transactions Agreements Related to the Merger, our Chief Executive Officer and our Chief Financial Officer each made an equity investment in the surviving corporation in connection with the merger. Other members of our management made equity investments in the surviving corporation through retention of their stock options or the acquisition of common stock. These managers and our Chief Executive Officer and our Chief Financial Officer are referred to collectively in this prospectus as the management participants. The aggregate value of the equity participation by the management participants was approximately \$16.2 million, on a pre-tax basis, not including \$4.5 million, on a pre-tax basis, of equity interests in the surviving corporation related to the roll-over of unvested restricted stock. Investment funds affiliated with or designated by Silver Lake Partners, or Silver Lake, invested \$335.5 million in equity securities of Spyglass in connection with the merger. These investment funds are referred to as the Silver Lake investors.

The purchase of Serena by the Silver Lake investors and the management participants was financed by borrowings under our senior secured credit agreement, the issuance of the outstanding senior subordinated notes, the equity investment and participation described above and Serena's cash on hand.

The offering of the outstanding notes, the initial borrowings under our senior secured credit agreement, the equity investment and participation by the Silver Lake investors, the Troxel investors and the management participants, the merger and the other related transactions are collectively referred to in this prospectus as the acquisition transactions. For a more complete description of the acquisition transactions, see The Merger and the Acquisition Transactions, Related Party Transactions Agreements Related to the Merger and Description of Certain Other Indebtedness Senior Secured Credit Agreement.

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Summary of Terms of the Exchange Offer

On March 10, 2006, we completed the private offering of our outstanding 10³/₈% Senior Subordinated Notes due 2016, or the outstanding notes. References to the notes in this prospectus are references to both the outstanding notes and the exchange notes. This prospectus is part of a registration statement covering the exchange of the outstanding notes for the exchange notes.

We entered into a registration rights agreement with the initial purchasers in the private offering in which we agreed to deliver to you this prospectus as part of the exchange offer and we agreed to complete the exchange offer within 360 days after the issuance of the outstanding notes. You are entitled to exchange in the exchange offer your outstanding notes for exchange notes, which are substantially identical to the outstanding notes except:

the exchange notes have been registered under the Securities Act of 1933, and are not subject to the restrictions on transfer applicable to the outstanding notes by virtue of their private offering; and

the exchange notes are not entitled to registration rights applicable to the outstanding notes under the registration rights agreement, and are not entitled to additional interest for failure to observe certain obligations in the registration rights agreement.

The exchange offer

We are offering to exchange up to \$200,000,000 aggregate principal amount of outstanding notes for up to \$200,000,000 aggregate principal amount of exchange notes. Outstanding notes may be exchanged only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Resale

Based on interpretations by the staff of the Securities and Exchange Commission, or the SEC, set forth in no-action letters issued to third parties, we believe that the exchange notes issued pursuant to the exchange offer in exchange for outstanding notes may be offered for resale, resold and otherwise transferred by you (unless you are our affiliate within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

you are acquiring the exchange notes in the ordinary course of your business; and

you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes.

If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making activities or other trading activities, you must acknowledge that you will deliver this prospectus in connection with any resale of the exchange notes. See Plan of Distribution.

Any holder of outstanding notes who:

is our affiliate;

does not acquire exchange notes in the ordinary course of its business; or

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notes, either have the outstanding notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.

By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

you are not our affiliate within the meaning of Rule 405 under the Securities Act, or if you are an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;

you do not have an arrangement or understanding with any person to participate in the distribution of the exchange notes;

you are not engaged in, and do not intend to engage in, a distribution of the exchange notes;

you are acquiring the exchange notes in the ordinary course of your business; and

if you are a broker-dealer that will receive exchange notes for your own account in exchange for outstanding notes that were acquired as a result of market-making activities, you will deliver a prospectus, as required by law, in connection with any resale of such exchange notes.

Special procedures for beneficial owners

If you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender those outstanding notes in the exchange offer, you should contact the registered holder promptly and instruct the registered holder to tender those outstanding notes on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes, either make appropriate arrangements to register ownership of the outstanding notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.

Guaranteed delivery procedures

If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal or any other required documents, or you cannot comply with the procedures under DTC's Automated Tender Offer Program for transfer of book-entry interests, prior to the expiration date, you must tender your outstanding notes according to the guaranteed delivery procedures set forth in this prospectus under The Exchange Offer Guaranteed Delivery Procedures.

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Effect on holders of outstanding notes	As a result of the making of, and upon acceptance for exchange of all validly tendered outstanding notes pursuant to the terms of, the exchange offer, we will have fulfilled a covenant under the registration rights agreement. Accordingly, there will be no increase in the interest rate on the outstanding notes under the circumstances described in the registration rights agreement for failure to effect the exchange offer. If you do not tender your outstanding notes in the exchange offer, you will continue to be entitled to all the rights and limitations applicable to the outstanding notes as set forth in the indenture, except that we will not have any further obligation to you to provide for the exchange and registration of the outstanding notes under the registration rights agreement. To the extent that outstanding notes are tendered and accepted in the exchange offer, the trading market for outstanding notes could be adversely affected.
Consequences of failure to exchange	All untendered outstanding notes will continue to be subject to the restrictions on transfer of such outstanding notes. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, we do not intend to register the outstanding notes under the Securities Act, except as otherwise required by the registration rights agreement.
United States federal income tax consequences	The exchange of outstanding notes in the exchange offer will not be a taxable event for United States federal income tax purposes. See Certain U.S. Federal Tax Consequences of the Exchange Offer.
Use of proceeds	We will not receive any cash proceeds from the issuance of exchange notes in the exchange offer. See Use of Proceeds.
Exchange agent	The Bank of New York is the exchange agent for the exchange offer. The addresses and telephone numbers of the exchange agent are set forth in the section captioned The Exchange Offer Exchange Agent.

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The summary below describes the principal terms of the exchange notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus contains a more detailed description of the terms and conditions of the outstanding notes and the exchange notes. The exchange notes will have terms substantially identical to the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions, registration rights and additional interest for failure to observe certain obligations in the registration rights agreement.

Issuer	Serena Software, Inc.
Notes offered	\$200,000,000 aggregate principal amount of 10 ³ / ₈ % senior subordinated notes due 2016.
Maturity	March 15, 2016.
Interest payment dates	March 15 and September 15, beginning September 15, 2006. Interest will accrue from March 10, 2006, the issue date of the outstanding notes.
Guarantees	Each of our domestic subsidiaries that guarantees the obligations under our senior secured credit agreement will jointly, severally and unconditionally guarantee the notes on an unsecured senior subordinated basis. As of the date of this prospectus, we do not have any domestic subsidiaries and, accordingly, there will be no guarantors on such date. On a <i>pro forma</i> basis after giving effect to the acquisition transactions, our subsidiaries would have accounted for approximately \$80.3 million, or 31.4%, of our total revenue for the fiscal year ended January 31, 2006. As of January 31, 2006, on a historical basis, our subsidiaries accounted for approximately \$208.4 million, or 31.0%, of our total assets, and approximately \$40.0 million, or 10.8%, of our total liabilities.
Ranking	The notes will be our unsecured, senior subordinated obligations and will: <p style="margin-left: 40px;">be subordinated in right of payment to our existing and future senior debt, including under our senior secured credit agreement;</p> <p style="margin-left: 40px;">rank equally in right of payment to all of our future senior subordinated debt;</p> <p style="margin-left: 40px;">be effectively subordinated in right of payment to all of our existing and future secured debt (including under our senior secured credit agreement), to the extent of the value of the assets securing such debt, and be structurally subordinated to all obligations of each of our subsidiaries that is not a guarantor of the notes; and</p>

rank senior in right of payment to all of our future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the notes.

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Similarly, the senior subordinated note guarantees will be unsecured senior subordinated obligations of the guarantors and will:

be subordinated in right of payment to all of the guarantor's existing and future senior debt, including such guarantor's guarantee under our senior secured credit agreement;

rank equally in right of payment to all of the guarantor's future senior subordinated debt;

be effectively subordinated in right of payment to all of the guarantor's existing and future secured debt (including such guarantor's guarantee under our senior secured credit agreement), to the extent of the value of the assets securing such debt, and be structurally subordinated to all obligations of any subsidiary of a guarantor if that subsidiary is not also a guarantor of the notes; and

rank senior in right of payment to all of the guarantor's future subordinated debt and other obligations that are, by their terms, expressly subordinated in right of payment to the notes.

Optional redemption

Prior to March 15, 2011, we will have the option to redeem some or all of the notes for cash at a redemption price equal to 100% of their principal amount plus an applicable make-whole premium (as described in Description of Notes Optional Redemption) plus accrued and unpaid interest to the redemption date. Beginning on March 15, 2011, we may redeem some or all of the notes at the redemption prices listed under Description of Notes Optional Redemption plus accrued interest on the notes to the date of redemption.

Equity offering optional redemption

At any time before March 15, 2009, we may redeem up to 35% of the aggregate principal amount of the notes with the net proceeds of an equity offering at 110.375% of the principal amount of the notes, plus accrued and unpaid interest, if any, so long as at least 65% of the originally issued aggregate principal amount of the notes remains outstanding after such redemption.

See Description of Notes Optional Redemption.

Change of control

Upon the occurrence of certain change of control events, you will have the right, as holders of the notes, to require us to repurchase some or all of your notes at 101% of their face amount, plus accrued and unpaid interest to the repurchase date. See Description of Notes Repurchase at the Option of Holders Change of Control.

Covenants

The indenture governing the notes contains covenants that, among other things, limit our ability and the ability of our subsidiaries to:

incur additional indebtedness or issue certain preferred stock;

pay dividends on, redeem or repurchase our capital stock or make other restricted payments;

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make investments;

create certain liens;

sell certain assets;

incur obligations that restrict the ability of our subsidiaries to make dividend or other payments to us;

guarantee indebtedness;

engage in transactions with affiliates;

create or designate unrestricted subsidiaries; and

consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

These covenants are subject to important exceptions and qualifications, which are described under the heading "Description of Notes" in this prospectus. Most of these covenants will cease to apply to the notes at all times after the notes have investment grade ratings from both Moody's Investors Service, Inc. and Standard & Poor's.

No public market

The exchange notes will be freely transferable but will be new securities for which there will not initially be a market. Accordingly, we cannot assure you whether a market for the exchange notes will develop or as to the liquidity of any market. The initial purchasers in the private offering of the outstanding notes advised us in connection with the private offering that they then intended to make a market in the exchange notes. The initial purchasers are not obligated, however, to make a market in the exchange notes, and any such market-making may be discontinued by the initial purchasers in their discretion at any time without notice.

Corporate Information

Serena Software, Inc. was incorporated under the laws of California in 1980 and re-incorporated under the laws of Delaware in 1998. Serena's principal executive offices are located at 2755 Campus Drive, 3rd Floor, San Mateo, California 94403 and its telephone number is (650) 522-6600. Our website is *www.serena.com*. The information contained on or accessible through our website does not constitute a part of this prospectus.

We own or have rights to trademarks or trade names that we use in conjunction with the operation of our business. In addition, our name, logo and website name and address are our service marks or trademarks. Each trademark, trade name or service mark by any other company appearing in this prospectus belongs to its holder. Some of the more important trademarks that we own or have rights to include *ChangeMan*[®], *Collage*[®], *Comparex*[®], *PVCS*[®], *Serena*[®], *StarTool*[®], *TeamTrack*[®], Change Governance, Composer and Dimensions.

Risk Factors

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You should carefully consider all the information in the prospectus prior to exchanging your outstanding notes. In particular, we urge you to carefully consider the factors set forth under the heading Risk Factors.

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Summary Historical and Unaudited Pro Forma Consolidated Financial Data

Set forth below is summary historical consolidated financial data and summary unaudited *pro forma* consolidated financial data of our business, as of the dates and for the periods indicated. The historical data as of January 31, 2005 and 2006 and for the three fiscal years ended January 31, 2006, have been derived from Serena's historical consolidated financial statements included elsewhere in this prospectus. The historical consolidated balance sheet data as of January 31, 2004, has been derived from Serena's audited consolidated financial statements which have not been included herein. The historical data as of and for the three months ended April 30, 2005 and 2006 have been derived from Serena's unaudited consolidated financial statements included elsewhere in this prospectus.

The summary unaudited *pro forma* consolidated statement of operations data, statement of cash flows data and other financial data for the fiscal year ended January 31, 2006 and the three months ended April 30, 2006 have been prepared to give effect to the acquisition transactions as if they had occurred on February 1, 2005. The *pro forma* adjustments are based upon available information and certain assumptions that we believe are reasonable. The summary unaudited *pro forma* consolidated financial data are for informational purposes only and do not purport to represent what our results of operations or financial position actually would have been if the acquisition transactions had occurred at any date, and such data do not purport to project the results of operations for any future period.

The summary historical and unaudited *pro forma* consolidated financial data should be read in conjunction with Unaudited Pro Forma Condensed Consolidated Financial Information, Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

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	Predecessor			Successor			Pro Forma	
	Year Ended January 31,			Three	For the	For the	Year Ended	Three
	2004	2005	2006	Months	Period	Period	January 31,	Months
				Ended	From	From	2006	Ended
				April 30,	February 1,	March 10,	2006	April 30,
				2005	2006 to	2006 to	2006	2006
					March 9,	April 30,		2006
					2006	2006		
					(in thousands)			
Consolidated Statement of Operations								
Data:								
Revenue:								
Software licenses	\$ 45,469	\$ 85,350	\$ 90,554	\$ 22,178	\$ 2,847	\$ 12,401	\$ 90,554	\$ 15,248
Maintenance	51,050	98,558	136,009	32,996	13,989	17,420	136,009	31,409
Professional services	9,037	24,197	29,209	6,135	2,872	5,346	29,209	8,218
Total revenue	105,556	208,105	255,772	61,309	19,708	35,167	255,772	54,875
Cost of revenue:								
Software licenses	668	3,149	3,211	603	238	452	3,211	690
Maintenance	6,378	11,420	13,208	3,419	1,375	1,807	13,208	3,212
Professional services	8,730	21,466	26,609	5,846	3,035	4,626	26,609	7,685
Amortization of acquired technology	6,513	14,051	16,921	4,167	1,786	4,882	33,160	8,589
Stock-based compensation(*)		44	36	14				
Total cost of revenue	22,289	50,130	59,985	14,049	6,434	11,767	76,188	20,176
Gross profit	83,267	157,975	195,787	47,260	13,274	23,400	179,584	34,699
Operating expenses:								
Sales and marketing	29,158	64,343	73,880	17,778	6,520	10,042	73,880	16,941
Research and development	14,025	31,043	34,534	8,856	3,555	5,110	34,534	8,842
General and administrative	7,342	18,587	17,587	4,630	1,806	3,652	17,587	6,049
Stock-based compensation(*)		686	1,741	215				
Amortization of intangible assets	2,032	9,608	10,516	2,814	1,098	5,172	36,300	9,075
Acquired in-process research and development(1)		10,400				4,100		
Restructuring, acquisition and other charges(1)		2,351	6,462		41,916	106		
Total operating expenses	52,557	137,018	144,720	34,293	54,895	28,182	162,301	40,907
Operating income (loss):	30,710	20,957	51,067	12,967	(41,621)	(4,782)	17,283	(6,208)
Interest income	3,399	3,868	6,203	1,112	856	1,587	4,209	338
Interest expense	(413)	(3,300)	(3,300)	(825)	(355)	(7,365)	(51,125)	(12,706)
Amortization of debt issuance costs	(42)	(1,466)	(1,340)	(335)	(1,931)	(282)	(3,611)	(450)
Income (loss) before income taxes	33,654	20,059	52,630	12,919	(43,051)	(10,842)	(33,244)	(19,206)
Income tax expense (benefit)	12,303	10,573	17,363	4,780	(8,335)	(3,464)	(10,971)	(7,515)
Net income (loss)	\$ 21,351	\$ 9,486	\$ 35,267	\$ 8,139	\$ (34,716)	\$ (7,378)	\$ (22,273)	\$ (11,511)

(*) For the Predecessor period from February 1, 2006 through March 9, 2006 and Successor period from March 10, 2006 through April 30, 2006, stock-based compensation expense has been included in the relevant operational expense categories.

(footnotes on following pages)

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	Predecessor			Successor			Pro Forma Year Ended January 31, 2006	Pro Forma Three Months Ended April 30, 2006
	Year Ended 2004	Year Ended 2005	Year Ended 2006	Three Months Ended April 30, 2005	For the Period From February 1, 2006 to March 9, 2006	For the Period From March 10, 2006 to April 30, 2006		
Statement of Cash Flows Data(2):								
Net cash provided by (used in):								
Operating activities	\$ 34,438	\$ 63,171	\$ 84,055	\$ 12,581	\$ 6,050	\$ 10,847	\$ 53,957	\$ 16,897
Investing activities	(44,881)	(151,942)	(29,714)	(23,859)	31,974	(827,281)	(610,771)	(34,818)
Financing activities	162,362	(30,634)	(39,740)	(28,587)	1,067	749,886	596,190	(80,996)
Other Financial Data:								
EBITDA(3)	\$ 40,845	\$ 48,117	\$ 83,080	\$ 20,870	\$ (38,164)	\$ 7,663	\$ 89,542	\$ 12,223
Depreciation and amortization	10,135	27,160	32,013	7,674	3,203	10,502	72,259	18,431
Capital expenditures, net(4)	1,199	1,970	3,039	704	221	311	3,039	532
Ratio of earnings to fixed charges(5)	35.0x	4.2x	9.5x	9.4x				
Consolidated Balance Sheet Data:								
Cash, cash equivalents and short-term investments	\$ 296,495	\$ 150,108	\$ 209,238	\$ 125,133		\$ 133,432		
Working capital	278,178	90,877	151,393	70,435		30,866		
Total assets	473,661	695,119	671,610	676,860		1,446,078		
Total debt	220,000	220,000	220,000	220,000		600,000		
Total stockholders' equity	195,278	297,616	301,008	277,131		503,105		

- (1) In connection with Serena's acquisition of Merant plc, Serena recognized a charge in the first quarter of fiscal year 2005 of \$10.4 million for acquired in-process research and development. Also in connection with that acquisition, Serena incurred restructuring, acquisition and other charges. Such charges totaled \$2.4 million for fiscal year 2005. These charges included certain employee payroll, severance and other employee related costs associated with transitional activities and travel and other direct costs associated with integrating the two companies. In connection with the acquisition transactions, Serena incurred acquisition-related charges totaling \$6.5 million in the second half of fiscal year 2006.
- (2) *Pro forma* net cash provided by operating activities for the fiscal year ended January 31, 2006 reflects the impact of the *pro forma* adjustments on net income. *Pro forma* net cash used in investing activities for such period reflects the purchase price of the acquisition transactions totaling approximately \$1,343.8 million, net of equity and cash contributed totaling approximately \$508.2 million and \$15.7 million, respectively. *Pro forma* net cash used in investing activities also excluded approximately \$18.9 million in net purchases of short and long-term investments since such investments were already assumed to be part of the beginning *pro forma* cash balance. *Pro forma* net cash provided by financing activities for such period reflects \$600.0 million in new debt incurred in connection with the consummation of the acquisition transactions, comprised of a \$400.0 million term loan under our senior secured credit agreement and \$200.0 million of notes. *Pro forma* net cash provided by financing activities also excludes (i) proceeds from the exercise of stock options under Serena's employee stock option plans totaling \$9.3 million, (ii) proceeds from sales of common stock under Serena's employee stock purchase plan totaling \$3.4 million, and (iii) the repurchase of Serena's common stock under Serena's stock repurchase plans totaling \$48.6 million, since all such plans were assumed not to be in effect on a *pro forma* basis. *Pro forma* net cash provided by operating activities for the three months ended April 30, 2006 reflects the impact of the *pro forma* adjustments on net loss. *Pro forma* net cash used in investing activities for such period excludes the net purchase price of the acquisition

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- transactions totaling approximately \$826.4 million since the acquisition transaction is assumed to have been effective commencing with the year-ago three months ended April 30, 2005. *Pro forma* net cash used in investing activities also excluded approximately \$62.7 million in net sales of short and long-term investments since such investments were already assumed to be part of the beginning *pro forma* cash balance. *Pro forma* net cash provided by financing activities for such period excludes equity contributions from Silver Lake investors and management totaling \$335.8 million and \$600.0 million in new debt incurred in connection with the consummation of the acquisition transactions, comprised of a \$400.0 million term loan under our senior secured credit agreement and \$200.0 million of senior subordinated notes, since the acquisition transaction is assumed to have been effective commencing with the year-ago three months ended April 30, 2005. *Pro forma* net cash provided by financing activities also excludes proceeds from the exercise of stock options under Serena's employee stock options plans totaling \$1.1 million since such plans were assumed not to be in effect on a *pro forma* basis.
- (3) EBITDA, a measure expected to be used by management to measure operating performance, is defined as net income plus interest, taxes, depreciation and amortization. EBITDA is not a recognized term under U.S. generally accepted accounting principles, or GAAP, and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA is not intended to be a measure of free cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Management believes EBITDA is helpful in highlighting trends because EBITDA excludes the results of decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. In addition, EBITDA provides more comparability between the historical results of Serena and results that reflect purchase accounting and our new capital structure. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to other similarly titled measures of other companies.

	Predecessor			Successor			Pro Forma	
	Year Ended January 31,			Three	For the	For the	Pro Forma	Pro Forma
	2004	2005	2006	Months	Period	Period	Year Ended	Three
				Ended	From	From	January 31,	Months
				April 30,	February 1,	March 10,	2006	Ended
				2005	March 9,	April 30,	2006	April 30,
					2006	2006		2006
	(in thousands)							
Net income (loss)(a)	\$ 21,351	\$ 9,486	\$ 35,267	\$ 8,139	\$ (34,716)	\$ (7,378)	\$ (22,273)	\$ (11,511)
Interest (income) expense, net	(2,944)	898	(1,563)	48	1,430	6,060	50,527	12,818
Income tax expense (benefit)	12,303	10,573	17,363	4,780	(8,335)	(3,464)	(10,971)	(7,515)
Depreciation and amortization expense(b)	10,135	27,160	32,013	7,903	3,457	12,445	72,259	18,431
EBITDA	\$ 40,845	\$ 48,117	\$ 83,080	\$ 20,870	\$ (38,164)	\$ 7,663	\$ 89,542	\$ 12,223

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- (a) *Pro forma* net income for the fiscal year ended January 31, 2006 and the three months ended April 30, 2006 includes the deferred maintenance write down associated with Serena's acquisition of Merant in the first quarter of fiscal year 2005. This maintenance revenue is added back in calculating Adjusted EBITDA for purposes of the indenture governing the notes and the senior secured credit agreement.
- (b) Depreciation and amortization expense includes depreciation of fixed assets, amortization of leasehold improvements, amortization of acquired technologies and other intangible assets, and amortization of stock-based compensation.
- (4) Capital expenditures represent net cash paid for equipment, software acquired for internal use and other assets.

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- (5) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income before income taxes and fixed charges. Fixed charges include: interest expense, whether expensed or capitalized, amortization of debt issuance cost, and the portion of rental expense representative of the interest factor (which we have estimated to be one-third of rental expense). Earnings would not have been sufficient to cover fixed charges by \$43.1 million for the Predecessor period from February 1, 2006 through March 9, 2006 and by \$10.8 million for the Successor period from March 10, 2006 through April 30, 2006. On a *pro forma* basis giving effect to the acquisition transactions as of February 1, 2005, earnings would not have been sufficient to cover fixed charges by \$33.2 million for the fiscal year ended January 31, 2006 and by \$19.0 million for the three months ended April 30, 2006. On a historical basis, the ratio of earnings to fixed charges for the fiscal years ended January 31, 2002 and 2003 was 58.6x and 77.4x, respectively.

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RISK FACTORS

Before you invest in the notes, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide whether to participate in the exchange offer. If any of the following risks occur, our business, financial condition and results of operations could be materially adversely affected.

Risk Related to the Exchange Offer

If you choose not to exchange your outstanding notes, the present transfer restrictions will remain in force and the market price of your outstanding notes could decline.

If you do not exchange your outstanding notes for exchange notes under the exchange offer, then you will continue to be subject to the transfer restrictions on the outstanding notes as set forth in the offering memorandum distributed in connection with the private offering of the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act. You should refer to Prospectus Summary Summary of Terms of the Exchange Offer and The Exchange Offer for information about how to tender your outstanding notes.

The tender of outstanding notes under the exchange offer will reduce the outstanding amount of the outstanding notes, which may have an adverse effect upon, and increase the volatility of, the market price of the outstanding notes due to a reduction in liquidity.

Risks Related to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under the notes.

As of April 30, 2006, our total indebtedness was \$600.0 million, excluding our convertible subordinated notes which have substantially since been converted. We also had an additional \$75.0 million available at that date for borrowing under the revolving credit facility of our senior secured credit agreement. See Capitalization.

Our high degree of leverage could have important consequences for you, including:

making it more difficult for us to make payments on the notes;

increasing our vulnerability to general economic and industry conditions;

requiring a substantial portion of cash flows from operating activities to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;

exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit agreement, are at variable rates of interest;

restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

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limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and

limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

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We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit agreement and the indenture governing the outstanding notes. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Our *pro forma* cash interest expense for the fiscal year ended January 31, 2006 and the three months ended April 30, 2006 would have been \$51.1 million and \$12.7 million, respectively. At April 30, 2006, we had \$400.0 million of debt under our senior secured credit agreement, which is based on a floating rate index that is assumed to be equal to 7.5%. A 0.5% increase in this floating rate would increase interest expense on a *pro forma* basis for the fiscal year ended January 31, 2006 and the three months ended April 30, 2006 by \$2.0 million and \$0.5 million, respectively.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our senior secured credit agreement and the indenture governing the notes contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

incur additional indebtedness or issue certain preferred shares;

pay dividends on, redeem or repurchase our capital stock or make other restricted payments;

make investments;

make capital expenditures;

create certain liens;

sell certain assets;

enter into agreements that restrict the ability of our subsidiaries to make dividend or other payments to us;

guarantee indebtedness;

engage in transactions with affiliates;

prepay, repurchase or redeem the notes offered hereby;

create or designate unrestricted subsidiaries; and

consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis. In addition, under our senior secured credit agreement, we are required to satisfy and maintain specified financial ratios and other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those ratios and tests. A breach of any of these covenants would result in a default under our senior secured credit agreement. Upon the occurrence of an event of default under our senior secured credit agreement, all amounts outstanding under our senior secured credit agreement could be declared to be (or could automatically become) immediately due and payable and all commitments to extend further credit could be terminated. If we were unable to repay those amounts, the lenders under our senior secured credit agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under our senior secured credit agreement. If the repayment of borrowings under our senior secured credit agreement is accelerated, we cannot assure you that we will have sufficient assets to repay our indebtedness under our senior secured credit agreement, as well as our unsecured indebtedness, including the notes.

Risks Related to Our Business

Economic conditions worldwide could adversely affect our revenue growth and ability to plan effectively.

The revenue growth and profitability of our business depends on the overall demand for application software and services. Because our sales are primarily to major corporate customers, our business also depends

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on general economic and business conditions. In the past, the general weakening of the worldwide economy has caused us to experience a decrease in revenue and revenue growth rates of our software licenses. A softening of demand for computer software caused by a weakening of the economy, domestically or internationally, may result in a decrease in our revenue and revenue growth rates. Our license revenue has fluctuated in recent years and we may not experience any license revenue growth in the future and our license revenue could in fact decline.

Management personnel identify, track and forecast future revenue, backlog and trends in our business. Our sales personnel monitor the status of all proposals, such as the estimated date when a transaction will close and the potential dollar amount of such sale. We aggregate these estimates periodically in order to generate a sales pipeline and then evaluate the pipeline at various times to look for trends in our business. While this pipeline analysis provides visibility to our potential customers and the associated revenue for budgeting and planning purposes, these pipeline estimates may not correlate to revenue in a particular quarter or ever. A slowdown in the economy, domestically and internationally, has caused in the past and may cause in the future customer purchasing decisions to be delayed, reduced in amount or cancelled, all of which have reduced and could reduce the rate of conversion of the pipeline into contracts. A variation in the pipeline or in the conversion of the pipeline into contracts could cause us to plan or budget improperly and thereby could adversely affect our business, operating results and financial condition. In addition, primarily due to a substantial portion of our software licenses revenue contracts closing in the latter part of a quarter, management may not be able to adjust our cost structure in response to a variation in the conversion of the pipeline into contracts in a timely manner, and thereby adversely affect our business, operating results and financial condition.

If our target markets do not evolve as we anticipate, our business will be adversely affected.

If we fail to properly assess and address our target markets or if our products and services fail to achieve market acceptance for any reason, our business, operating results and financial condition would be materially adversely affected. Our target markets are in an early stage of development. IT organizations have traditionally addressed software configuration management, or SCM, needs internally and have only recently become aware of the benefits of third-party SCM solutions as their SCM requirements have become more complex. Since the market for our products is still evolving, it is difficult to assess the competitive environment or the size of the market that may develop. Our future financial performance will depend in large part on the continued growth in the number of businesses adopting third-party SCM products and the expansion of their use on a company-wide basis. The SCM market for third-party products may grow more slowly than we anticipate. In addition, technologies, customer requirements and industry standards may change rapidly. If we cannot improve or augment our products as rapidly as existing technologies, customer requirements and industry standards evolve, our products or services could become obsolete. The introduction of new or technologically superior products by competitors could also make our products less competitive or obsolete. As a result of any of these factors, our position in existing markets or potential markets could be eroded.

Our future revenue is substantially dependent upon our installed customers renewing maintenance agreements for our products and licensing or upgrading additional Serena products; our future professional service and maintenance revenue is dependent on future sales of our software products.

We depend on our installed customer base for future revenue from maintenance renewal fees and licenses or upgrades of additional products. If our customers do not purchase additional products, do not upgrade existing products or cancel or fail to renew their maintenance agreements, this could materially adversely affect our business, operating results and financial condition. The terms of our standard license arrangements provide for a one-time license fee and a prepayment of one year of software maintenance and support fees. The maintenance agreements are renewable annually at the option of the customer and there are no minimum payment obligations or obligations to license additional software. Therefore, our current customers may not necessarily generate significant maintenance revenue in future periods. In addition, our customers may not necessarily purchase additional products, upgrades or professional services. Our professional service and maintenance revenue are

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also dependent upon the continued use of these services by our installed customer base. Any downturn in our software license sales would have a negative impact on the growth of our professional service revenue and maintenance revenue in future periods.

If the market for IBM and IBM-compatible mainframes decreases, it could adversely affect our business.

Our mainframe revenue is dependent upon the continued use and acceptance of IBM Corporation, or IBM, and IBM-compatible mainframes and the growth of this market. If the role of the mainframe does not increase as we anticipate, or if it in any way decreases, this may materially adversely affect our business, operating results and financial condition. Additionally, if there is a wide acceptance of other platforms or if new platforms emerge that provide enhanced enterprise server capabilities, our business, operating results and financial condition may be materially adversely affected. We expect that, for the foreseeable future, a significant portion of our software license revenue will continue to come from the sales of our mainframe products. As a result, future sales of our existing products and associated maintenance revenue and professional service revenue will depend on continued use of mainframes.

Any delays in our normally lengthy sales cycles could result in significant fluctuations in our operating results.

Our sales cycle typically takes three to eighteen months to complete and varies from product to product. Any delay in the sales cycle of a large license or a number of smaller licenses could result in significant fluctuations in our operating results. The length of the sales cycle may vary depending on a number of factors over which we may have little or no control, including the size and complexity of a potential transaction and the level of competition that we encounter in our selling activities. We have experienced an overall lengthening of sales cycles as customers have more rigorously scrutinized potential IT purchases. Additionally, the emerging market for our products and services contributes to the lengthy sales process in that during the sales cycle we often have to educate potential customers on the use and the benefits of our products. In certain circumstances, we license our software to customers on a trial basis to assist customers in their evaluation of our products. Our sales cycle can also be further extended for product sales made through third party distributors.

Our license revenue from products for distributed systems may fluctuate.

We introduced our *ChangeMan DS* product in fiscal year 2000 and our *ChangeMan ZDD* product in the first quarter of fiscal year 2003. We acquired the *TeamTrack* product in fiscal year 2004, and the Merant product line and the *RTM* product in fiscal year 2005. In the first quarter of fiscal year 2006, we acquired business application planning technology in an asset purchase. While license revenue from these and our other distributed systems products was 67% of total license revenue in the fiscal year ended January 31, 2006, license revenue from our distributed products may fluctuate materially and could in fact decline. We are currently developing new products and enhancing our product suite to support additional distributed systems products. If we do not successfully develop, market, sell and support our distributed systems products, this would materially adversely affect our business, operating results and financial condition. Prior to our acquisition of Merant in the first quarter of fiscal year 2005, the majority of our products had been designed for the mainframe platform, and the majority of our software license, maintenance and professional services revenue had been attributable to licenses for these mainframe products. Additionally, our distributed system products may be adversely impacted by pricing pressures resulting from increased competition. Our competitors may have substantially greater experience providing distributed systems compatible software products than we do, and many also may have significantly greater financial and organizational resources.

Seasonal trends in sales of our software products may affect our operating results.

We have experienced and expect to continue to experience seasonality in sales of our software products. These seasonal trends materially affect our operating results. Revenue and operating results in our quarter ending

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January 31 are typically higher relative to other quarters, because many customers make purchase decisions based on their calendar year-end budgeting requirements. In addition, our January quarter tends to reflect the effect of the incentive compensation structure for our sales organization, which is based on satisfaction of fiscal year-end quotas. As a result, we have historically experienced a substantial decline in revenue in the first quarter of each fiscal year relative to the preceding quarter.

We expect that our operating expenses will increase in the future and these increased expenses may adversely affect our future operating results and financial condition.

Although Serena has been profitable in recent years, we may not remain profitable in the future. We anticipate that our expenses will increase in the foreseeable future as we:

incur restructuring and other expenses in connection with the merger;

increase our sales and marketing activities, including expanding our United States and international direct sales forces and extending our telesales efforts;

develop our technology, including our distributed systems products;

invest in penetrating the federal government marketplace;

expand our distribution channels, including in the Asia Pacific region;

expand our professional services organization; and

pursue strategic relationships and acquisitions.

With these additional expenses, in order to maintain our current levels of profitability, we will be required to increase our revenue correspondingly. Our efforts to expand our software product suites, sales and marketing activities, direct and indirect distribution channels and professional service offerings and to pursue strategic relationships or acquisitions may not succeed or may prove more expensive than we currently anticipate. Any failure to increase our revenue as we implement our product, service and distribution strategies would materially adversely affect our business, operating results and financial condition.

Our industry changes rapidly due to evolving technology standards and our future success will depend on our ability to continue to meet the sophisticated needs of our customers.

Our future success will depend on our ability to address the increasingly sophisticated needs of our customers by supporting existing and emerging hardware, software, database and networking platforms particularly for our distributed systems products. We must develop and introduce enhancements to our existing products and new products on a timely basis to keep pace with technological developments, evolving industry standards and changing customer requirements. We expect that we will have to respond quickly to rapid technological change, changing customer needs, frequent new product introductions and evolving industry standards that may render existing products and services obsolete. As a result, our position in existing markets or potential markets could be eroded rapidly by product advances. Our growth and future financial performance will depend in part upon our ability to enhance existing applications, develop and introduce new applications that keep pace with technological advances, meet changing customer requirements and respond to competitive products. We expect that our product development efforts will continue to require substantial investments. We may not have sufficient resources to make the necessary investments. Any of these events could have a material adverse effect on our business, operating results and financial condition.

We are subject to intense competition in our target markets and we expect to face increased competition in the future, including competition in the distributed systems market.

We may not be able to compete successfully against current or future competitors and such inability would materially adversely affect our business, operating results and financial condition. The market for our products is

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highly competitive and diverse. Moreover, the technology for products in our target markets may change rapidly. New products are frequently introduced, and existing products are continually enhanced. Competition may also result in changes in pricing policies by Serena or our competitors, which could materially adversely affect our business, operating results and financial condition. Competitors vary in size and in the scope and breadth of the products and services that they offer. Many of our current and potential competitors have greater financial, technical, marketing and other resources than we do. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the development, promotion and sale of their products than we can.

Mainframe Competition. We currently face competition from a number of sources, including:

customers internal IT departments;

providers of products that compete directly with *ChangeMan ZMF* and *Comparex*, such as Computer Associates, IBM and smaller private companies; and

providers of application development programmer productivity and system management products, such as Compuware, IBM and smaller private companies.

Competition in the Distributed Systems Market. We also face significant competition as we develop, market and sell our distributed systems products, including *ChangeMan DS*, *TeamTrack*, *Dimensions* and *Version Manager* products. If we are unable to successfully penetrate the distributed systems market, our business, operating results and financial condition will be materially adversely affected. Penetrating the existing distributed systems market will be difficult. Competitors in the distributed systems market include IBM, Computer Associates, Microsoft, Telelogic and other smaller private companies.

Future Competition. We may face competition in the future from established companies who have not previously entered the mainframe or distributed systems market, or from emerging software companies. Increased competition may materially adversely affect our business, operating results and financial condition due to price reductions, reduced gross margins and reduction in market share. Established companies may not only develop their own mainframe or distributed systems solutions, but they may also acquire or establish cooperative relationships with our current competitors, including cooperative relationships between large, established companies and smaller private companies. Because larger companies have significant financial and organizational resources available, they may be able to quickly penetrate the mainframe or distributed systems market through acquisitions or strategic relationships and may be able to leverage the technology and expertise of smaller companies and develop successful SCM products for the mainframe. We expect that the software industry, in general, and providers of SCM solutions, in particular, will continue to consolidate. It is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share.

Bundling or Compatibility Risks. Our ability to sell our products also depends, in part, on the compatibility of our products with other third party products, particularly those provided by IBM. Developers of these third party products may change their products so that they will no longer be compatible with our products. These third party developers may also decide to bundle their products with other SCM products for promotional purposes. If that were to happen, our business, operating results and financial condition may be materially adversely affected as we may be priced out of the market or no longer be able to offer commercially viable products.

We may experience delays in developing our products which could adversely affect our business.

If we are unable, for technological or other reasons, to develop and introduce new and improved products in a timely manner, this could materially adversely affect our business, operating results and financial condition. We have experienced product development delays in new version and update releases in the past and may experience similar or more significant product delays in the future. To date, none of these delays has materially affected our business. Difficulties in product development could delay or prevent the successful introduction or marketing of new or improved products or the delivery of new versions of our products to our customers. Any

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delay in releasing our new distributed systems products, for whatever reason, could have a material adverse effect on our business, operating results and financial condition.

Acquisitions may be difficult to integrate, disrupt our business or divert the attention of our management.

Historically, we have expanded our product offerings by acquiring other companies and by acquiring specific products from third parties. We may acquire or make investments in other companies and technologies. In the event of any acquisitions or investments, we could:

incur debt;

assume liabilities;

incur charges for the impairment of the value of investments or acquired assets; or

incur amortization expense related to intangible assets.

If we fail to achieve the financial and strategic benefits of past and future acquisitions or investments, our operating results will suffer. Acquisitions and investments involve numerous other risks, including:

difficulties integrating the acquired operations, technologies or products with ours;

failure to achieve targeted synergies;

unanticipated costs and liabilities;

diversion of management's attention from our core business;

adverse effects on our existing business relationships with suppliers and customers or those of the acquired organization;

difficulties entering markets in which we have no or limited prior experience; and

potential loss of key employees, particularly those of the acquired organizations.

We intend to expand our international operations and may encounter a number of problems in doing so; there are also a number of factors associated with international operations that could adversely affect our business.

Expansion of International Operations. We have sales subsidiaries in the United Kingdom, Germany, Sweden, France, Belgium, Spain, the Netherlands, Australia and Singapore. If we are unable to expand our international operations successfully and in a timely manner, or if these operations experience declining revenue growth, this could materially adversely affect our business, operating results and financial condition.

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We have limited experience in marketing, selling and supporting our products internationally. Additionally, we do not have significant experience in developing foreign language versions of our products. Such development may be more difficult or take longer than we anticipate. We may not be able to successfully market, sell, deliver and support our products internationally.

Risks of International Operations. International sales increased to 34.2% of our total revenue for the fiscal year ended January 31, 2006, as compared to 30.6% for the fiscal year ended January 31, 2005. Our international revenue is attributable principally to our European operations; however, we plan to increase our investment in sales and marketing in the Asia Pacific region. Our international operations are, and any expanded international operations will be, subject to a variety of risks associated with conducting business internationally that could materially adversely affect our business, operating results and financial condition, including the following:

difficulties in staffing and managing international operations;

problems in collecting accounts receivable;

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longer payment cycles;

fluctuations in currency exchange rates;

inability to control or predict the levels of revenue produced by our international distributors;

seasonal reductions in business activity during the summer months in Europe and certain other parts of the world;

limitations on repatriation of earnings;

reduced protection of intellectual property rights and less favorable contract interpretation rules in some countries;

political and economic instability;

recessionary environments in foreign economies; or

increases in tariffs, duties, price controls or other restrictions on foreign currencies or trade barriers imposed by foreign countries.

Fluctuations in the value of foreign currencies could result in currency transaction losses.

A majority of our international business is conducted in foreign currencies, principally the British pound and the euro. Fluctuations in the value of foreign currencies relative to the U.S. dollar will continue to cause currency transaction gains and losses. We cannot predict the effect of exchange rate fluctuations upon future operating results. We may experience currency losses in the future. To date, we have not adopted a hedging program to protect Serena from risks associated with foreign currency fluctuations. However, under our senior secured credit agreement that we entered into in connection with the merger, we are required, within 90 days after the closing date, to fix the interest rate of at least 50% of the aggregate principal amount of indebtedness under our term loan through swaps, caps, collars, future or option contracts or similar agreements. We must maintain this interest rate protection for a minimum of two years.

If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings.

Under generally accepted accounting principles, we review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include a decline in future cash flows and slower growth rates in our industry. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, resulting in an impact on our results of operations.

Third parties in the future could assert that our products infringe their intellectual property rights, which could adversely affect our business.

Third parties may claim that our current or future products infringe their proprietary rights. Any claims of this type could affect our relationships with existing customers and may prevent future customers from licensing our products. Because we are dependent upon a limited number of products, any such claims, with or without merit, could be time consuming to defend, result in costly litigation, cause product shipment delays or require us to enter into royalty or licensing agreements. Royalty or license agreements may not be available on acceptable terms or at all. We expect that software product developers will increasingly be subject to infringement claims as the number of products and competitors in the

software industry segment grows and the functionality of products in different industry segments overlaps. As a result of these factors, infringement claims could materially adversely affect our business.

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Errors in our products or the failure of our products to conform to specifications could result in our customers demanding refunds from us or asserting claims for damages against us.

Because our software products are complex, they often contain errors or bugs that can be detected at any point in a product's life cycle. While we continually test our products for errors and work with customers through our customer support services to identify and correct bugs in our software, we expect that errors in our products will continue to be found in the future. Although many of these errors may prove to be immaterial, certain of these errors could be significant. Detection of any significant errors may result in, among other things, loss of, or delay in, market acceptance and sales of our products, diversion of development resources, injury to our reputation, or increased service and warranty costs. These problems could materially adversely affect our business, operating results and financial condition. In the past we have discovered errors in certain of our products and have experienced delays in the shipment of our products during the period required to correct these errors. These delays have principally related to new version and product update releases. To date, none of these delays have materially affected our business. However, product errors or delays in the future, including any product errors or delays associated with the introduction of our distributed systems products, could be material. In addition, in certain cases we have warranted that our products will operate in accordance with specified customer requirements. If our products fail to conform to such specifications, customers could demand a refund for the software license fee paid to us or assert claims for damages.

Product liability claims asserted against us in the future could adversely affect our business.

We may be subject to claims for damages related to product errors in the future. A material product liability claim could materially adversely affect our business. Our license agreements with our customers typically contain provisions designed to limit exposure to potential product liability claims. Serena's standard software licenses provide that if our products fail to perform, we will correct or replace such products. If these corrective measures fail, we may be required to refund the license fee for such non-performing product. Our standard license agreement limits our liability for non-performing products to the amount of license fee paid, if the license has been in effect for less than one year, or to the amount of the licensee's current annual maintenance fee, if the license is more than one year old. Our standard license also provides that Serena shall not be liable for indirect or consequential damages caused by the failure of our products. Such limitation of liability provisions may, however, not be effective under the laws of certain jurisdictions to the extent local laws treat certain warranty exclusions as unenforceable. Although we have not experienced any product liability claims to date, the sale and support of our products entail the risk of such claims.

Changes in accounting regulations and related interpretations and policies regarding revenue recognition could cause us to defer recognition of revenue or recognize lower revenue and profits.

Although we use standardized license agreements designed to meet current revenue recognition criteria under generally accepted accounting principles, we must often negotiate and revise terms and conditions of these standardized agreements, particularly in multi-product or multi-year transactions. As our transactions increase in complexity with the sale of larger, multi-product, multi-year licenses, negotiation of mutually acceptable terms and conditions can extend the sales cycle and, in certain situations, may require us to defer recognition of revenue on such licenses. We believe that we are in compliance with Statement of Position 97-2, Software Revenue Recognition as amended, however these future, more complex, multi-product, multi-year license transactions may require additional accounting analysis to account for them accurately, could lead to unanticipated changes in our current revenue accounting practices and may contain terms affecting the timing of revenue recognition.

If we do not adequately manage and evolve our financial reporting and managerial systems and processes, our ability to manage and grow our business may be harmed.

Our ability to successfully implement our business plan and comply with regulations, including the Sarbanes-Oxley Act, requires an effective planning and management process. We expect that we will need to

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continue to improve existing, and implement new, operational and financial systems, procedures and controls to manage our business effectively in the future. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures and controls, could harm our ability to accurately forecast sales demand, manage our supply chain and record and report financial and management information on a timely and accurate basis.

We have incurred significant expenses in complying with the Sarbanes-Oxley Act, and we may be unable to assess favorably the effectiveness of our internal control over financial reporting.

Under the Sarbanes-Oxley Act, we have been, and expect in the future to be, required to assess the effectiveness of our internal controls over financial reporting and assert that such internal controls are effective. Our independent registered public accounting firm must evaluate management's assessment concerning the effectiveness of our internal controls over financial reporting and render an opinion on our assessment and the effectiveness of our internal controls over financial reporting. The Sarbanes-Oxley Act has resulted in and is likely to continue to result in increased expenses, and has required and is likely to continue to require significant efforts by management and other employees. Although we believe that our efforts will enable us to remain compliant under the Sarbanes-Oxley Act, we can give no assurance that in the future such efforts will be successful. Our business is complex and involves significant judgments and estimates as described under Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates. If certain judgments and estimates are determined incorrectly, we may be unable to assert that our internal controls over financial reporting are effective, or our independent auditors may not be able to render the required attestation concerning our assessment and the effectiveness of our internal controls over financial reporting, which could adversely affect investor confidence in us.

Our executive officers and certain key personnel are critical to our business and such officers and key personnel may not remain with us in the future.

Our success will depend to a significant extent on the continued service of our senior executives and certain other key employees, including certain sales, consulting, technical and marketing personnel. If we lost the services of one or more of our executives or key employees, including if one or more of our executives or key employees decided to join a competitor or otherwise compete directly or indirectly with Serena, this could materially adversely affect our business. In particular, we have historically relied on the experience and dedication of our product authors. Other than Mark Woodward, our Chief Executive Officer, and Robert Pender, our Chief Financial Officer, none of our senior and key employees, including key product authors, is party to an employment agreement with us. In addition, we do not maintain key man life insurance on our employees and have no plans to do so.

The interests of our controlling stockholder may differ from the interests of the holders of the notes.

Silver Lake and its affiliates own, in the aggregate, approximately 56.5% of our common stock, on a fully diluted basis, and beneficially own the only authorized share of our series A preferred stock. In addition, Silver Lake and its affiliates, by virtue of their ownership of our common stock and their voting rights under a stockholders agreement, control the vote, in connection with substantially all matters subject to stockholder approval, of approximately 97.9% of our outstanding common stock. See Related Party Transactions Agreements Related to the Merger. As a result of this ownership and the terms of a stockholders agreement, Silver Lake is entitled to elect directors with majority voting power in our Board of Directors, to appoint new management and to approve actions requiring the approval of the holders of our outstanding voting shares as a single class, including adopting most amendments to our certificate of incorporation and approving mergers or sales of all or substantially all of our assets. Silver Lake, through its control of us, will also control all of our subsidiary guarantors, if any.

The interests of Silver Lake and its affiliates may differ from yours in material respects. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of Silver Lake and its

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affiliates, as equity holders, might conflict with your interests as a note holder. Silver Lake and its affiliates may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its equity investments, even though such transactions might involve risks to you as a note holder, including the incurrence of additional indebtedness. Additionally, the indenture governing the notes permits us to pay advisory fees, dividends or make other restricted payments under certain circumstances, and Silver Lake may have an interest in our doing so. We are party to a management advisory agreement with Silver Lake that provides for us to pay advisory and other fees to Silver Lake. See [Related Party Transactions](#) [Silver Lake Management Agreement](#).

Silver Lake and its affiliates are in the business of making investments in companies and may, from time to time in the future, acquire interests in businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. You should consider that the interests of Silver Lake and its affiliates may differ from yours in material respects. See [Security Ownership](#), [Related Party Transactions](#), [Description of Certain Other Indebtedness](#) and [Description of Notes](#).

Risks Related to the Notes

We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our senior secured credit agreement and the indenture governing the notes restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

Your right to receive payments on the notes is junior to the rights of the lenders under our senior secured credit agreement and all of our other senior indebtedness and any of our future senior indebtedness.

The notes and the guarantees (if any) are general unsecured obligations that are junior in right of payment to all of our and such guarantors existing and future senior indebtedness. As of April 30, 2006, we had \$400.0 million of senior indebtedness. An additional \$75.0 million is available to be drawn under our revolving credit facility. The indenture governing the outstanding notes will permit us and the guarantors to incur substantial additional senior indebtedness in the future.

We may not pay principal, premium, if any, interest or other amounts on account of the notes in the event of a payment default or certain other defaults in respect of certain of our senior indebtedness, including debt under the senior secured credit agreement, unless the senior indebtedness has been paid in full or the default has been cured or waived. In addition, in the event of certain other defaults with respect to our senior indebtedness, we may not be permitted to pay any amount on account of the notes for a designated period of time.

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Because of the subordination provisions in the notes, in the event of our bankruptcy, liquidation or dissolution, our assets will not be available to pay obligations under the notes until we have made all payments in cash on our senior indebtedness. We cannot assure you that sufficient assets will remain after all these payments have been made to make any payments on the notes, including payments of principal or interest when due.

Claims of noteholders are structurally subordinate to claims of creditors of all of our non-U.S. subsidiaries and some of our U.S. subsidiaries because they do not guarantee the notes.

The notes are not guaranteed by any of our non-U.S. subsidiaries, our less than wholly-owned U.S. subsidiaries, our receivables subsidiaries or certain other U.S. subsidiaries. Accordingly, claims of holders of the notes are structurally subordinate to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or a guarantor of the notes. As of the date of this prospectus, we do not have any domestic subsidiaries and, accordingly, there are no guarantors on that date.

On a *pro forma* basis after giving effect to the acquisition transactions, our subsidiaries would have accounted for approximately \$80.3 million, or 31.4%, of our total revenue for the fiscal year ended January 31, 2006. As of January 31, 2006, on a historical basis, our subsidiaries accounted for approximately \$208.4 million, or 31.0%, of our total assets, and approximately \$40.0 million, or 10.8%, of our total liabilities.

Your right to receive payments on the notes is effectively junior to those lenders who have a security interest in our assets.

Our obligations under the notes and the obligations of the guarantors, if any, under their guarantees of the notes are unsecured, but our obligations under our senior secured credit agreement and the obligations of each guarantor (if any) under its guarantee of the obligations under the senior secured credit agreement are secured by a security interest in substantially all of our domestic tangible and intangible assets, including the stock of our wholly-owned U.S. subsidiaries. If we are declared bankrupt or insolvent, or if we default under our senior secured credit agreement, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the lenders could foreclose on the pledged assets to the exclusion of holders of the notes, even if an event of default exists under the indenture governing the notes at such time. Furthermore, if the lenders foreclose and sell the pledged equity interests in any subsidiary guarantor under the notes, then that guarantor will be released from its guarantee of the notes automatically and immediately upon such sale. In any such event, because the notes will not be secured by any of our assets or the equity interests in subsidiary guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims fully. See Description of Certain Other Indebtedness.

As of April 30, we had \$400.0 million of senior secured indebtedness, all of which is indebtedness under our senior secured credit agreement and which did not include availability of \$75.0 million under the revolving credit facility thereunder. The indenture governing the notes permits us and our restricted subsidiaries to incur substantial additional indebtedness in the future, including senior secured indebtedness.

If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness, including a default under the senior secured credit agreement, that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could prevent us from paying principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our

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indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in our senior secured credit agreement and the indenture governing the notes), we could be in default under the terms of the agreements governing such indebtedness, including our senior secured credit agreement and the indenture governing the notes. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our senior secured credit agreement could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our senior secured credit agreement to avoid being in default. If we breach our covenants under our senior secured credit agreement and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our senior secured credit agreement, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all outstanding notes at 101% of their principal amount plus accrued and unpaid interest. The source of funds for any such purchase of the notes will be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the notes upon a change of control because we may not have sufficient financial resources to purchase all of the notes that are tendered upon a change of control. Further, we will be contractually restricted under the terms of our senior secured credit agreement from repurchasing all of the notes tendered by holders upon a change of control. Accordingly, we may not be able to satisfy our obligations to purchase the notes unless we are able to refinance or obtain waivers under our senior secured credit agreement. Our failure to repurchase the notes upon a change of control would cause a default under the indenture governing the notes and a cross-default under the senior secured credit agreement. The senior secured credit agreement also provides that a change of control will be a default that permits lenders to accelerate the maturity of borrowings thereunder. Any of our future debt agreements may contain similar provisions.

The lenders under the senior secured credit agreement have the discretion to release the guarantors under the senior secured credit agreement in a variety of circumstances, which will cause those guarantors to be released from their guarantees of the notes.

While any obligations under the senior secured credit agreement remain outstanding, any guarantee of the notes may be released without action by, or consent of, any holder of the notes or the trustee under the indenture governing the notes, at the discretion of lenders under the senior secured credit agreement, if the related guarantor is no longer a guarantor of obligations under the senior secured credit agreement or any other indebtedness. See Description of Notes. The lenders under the senior secured credit agreement have the discretion to release the guarantees under the senior secured credit agreement in a variety of circumstances. You will not have a claim as a creditor against any subsidiary that is no longer a guarantor of the notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will effectively be senior to claims of holders of the notes.

Federal and state fraudulent transfer laws may permit a court to void the guarantees, and, if that occurs, you may not receive any payments on the notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the notes and the incurrence of the guarantees. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes or guarantees could be voided as a fraudulent transfer or conveyance if (1) we or any of the guarantors, as applicable, issued the notes or incurred the guarantees with the intent of hindering, delaying or defrauding creditors or (2) we or any of the guarantors, as

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applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring the guarantees and, in the case of (2) only, one of the following is also true at the time thereof:

we or any of the guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of the guarantees;

the issuance of the notes or the incurrence of the guarantees left us or any of the guarantors, as applicable, with an unreasonably small amount of capital to carry on the business;

we or any of the guarantors intended to, or believed that we or such guarantor would, incur debts beyond our or such guarantor's ability to pay as they mature; or

we or any of the guarantors was a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment is unsatisfied.

If a court were to find that the issuance of the notes or the incurrence of the guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or such guarantee or further subordinate the notes or such guarantee to presently existing and future indebtedness of ours or of the related guarantor, or require the holders of the notes to repay any amounts received with respect to such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes. Further, the voidance of the notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of such debt.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. A debtor will generally not be considered to have received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor.

We cannot be certain as to the standards a court would use to determine whether or not we or the guarantors were solvent at the relevant time or, regardless of the standard that a court uses, that the issuance of the guarantees would not be further subordinated to our or any of our guarantors' other debt. Generally, however, an entity would be considered insolvent if, at the time it incurred indebtedness:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets; or

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

Your ability to transfer the notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the notes.

The notes are a new issue of securities for which there is no established public market. The outstanding notes were offered and sold in March 2006 in the United States to qualified institutional buyers, as defined under Rule 144A of the Securities Act, and are eligible for trading in the PORTAL Market.

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We do not intend to apply for a listing of the notes on any securities exchange or on any automated dealer quotation system. There is currently no established market for the notes and we cannot assure you as to the liquidity of markets that may develop for the notes, your ability to sell the notes or the price at which you would be able to sell the notes. If such markets were to exist, the notes could trade at prices that may be lower than their principal amount or purchase price depending on many factors, including prevailing interest rates, the market for

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similar notes, our financial and operating performance and other factors. The initial purchasers in the private offering of the outstanding notes advised us in connection with the private offering that they then intended to make a market with respect to the notes. However, these initial purchasers are not obligated to do so, and any market making with respect to the notes may be discontinued at any time without notice. In addition, such market making activity may be limited during the pendency of the exchange offer or the effectiveness of a shelf registration statement in lieu thereof. Therefore, we cannot assure you that an active market for the notes will develop or, if developed, that it will continue. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may experience similar disruptions and any such disruptions may adversely affect the prices at which you may sell your notes.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements as encouraged by the Private Securities Litigation Reform Act of 1995 regarding, among other things, our plans, strategies and prospects, both business and financial. All statements contained in this document other than historical information are forward-looking statements. Forward-looking statements include, but are not limited to, statements that represent our beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as may, expect, should, anticipate, intend or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to:

our ability to service our substantial indebtedness;

economic and business conditions worldwide and in the United States;

the evolution of our target markets;

our installed customers renewing maintenance agreements for our products and licensing or upgrading additional Serena products, and future sales of our software products;

a decrease in the market for IBM and IBM-compatible mainframes;

delays in our sales cycles;

fluctuations in our license revenue from products for distributed systems;

seasonal trends in sales of our software products which may affect our operating results;

increased operating expenses;

changes in our industry due to evolving technology standards and our ability to continue to meet the sophisticated needs of our customers;

competition in our target markets, including competition in the distributed systems market;

delays in developing our products;

difficulties related to the integration of new acquisitions;

difficulties relating to the expansion of our international operations;

fluctuations in the value of foreign currencies and currency transaction losses;

future impairment losses related to intangible assets from acquisitions;

intellectual property infringement claims;

errors in our products or the failure of our products to conform to specifications and demands for refunds from us or claims for damages against us;

product liability claims asserted against us;

changes in accounting regulations and related interpretations and policies regarding revenue recognition;

our ability to adequately manage and evolve our financial reporting and managerial systems and processes;

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our ability to assess favorably the effectiveness of our internal control over financial reporting, or our independent auditors' ability to provide an unqualified attestation report on our assessment in the future;

the loss of our executive officers and certain key personnel; and

various other factors beyond our control.

Consequently, such forward-looking statements should be regarded solely as our current plans, estimates and beliefs. We do not intend, and do not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

You should review carefully the section captioned "Risk Factors" in this prospectus for a more complete discussion of the risks of an investment in the notes.

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THE MERGER AND THE ACQUISITION TRANSACTIONS

On November 11, 2005, Spyglass Merger Corp. and Serena Software, Inc. entered into an Agreement and Plan of Merger, or the merger agreement, pursuant to which Spyglass Merger Corp., or Spyglass, merged with and into Serena, with Serena continuing as the surviving corporation. This transaction occurred on March 10, 2006 and is referred to in this prospectus as the merger.

Effect of the Merger on Serena Common Stock. At the effective time of the merger, each share of Serena common stock issued and outstanding immediately prior to the merger (other than shares held in the treasury of Serena, owned by Spyglass or any direct or indirect wholly owned subsidiary of Spyglass or Serena that was not an employee benefit trust or held by stockholders who were entitled to and who properly exercised appraisal rights under Delaware law) was cancelled and converted into the right to receive \$24.00 in cash, without interest.

Silver Lake and Troxel Investors Contributions. In connection with the merger, the Troxel investors exchanged shares of Serena common stock, which were valued for such purposes at \$154.1 million, in exchange for shares of common stock of the surviving corporation, and the Silver Lake investors made an aggregate cash contribution of \$335.5 million to Spyglass, in exchange for shares of common stock of the surviving corporation and one share of the surviving corporation's series A preferred stock.

Treatment of Serena Stock Options. As described in the merger agreement, immediately prior to the effective time of the merger, all outstanding options to acquire Serena common stock became fully vested and immediately exercisable unless otherwise agreed between the holder of any such options and Spyglass. All options (other than certain options held by the management participants) were automatically cancelled immediately prior to the effective time of the merger (to the extent permissible under Serena's stock plans) and were converted into a right to receive an amount in cash (without interest), less applicable withholding taxes, equal to the product of (1) the number of shares of our common stock subject to each option, as of the effective time of the merger, multiplied by (2) the excess of \$24.00 over the exercise price per share of our common stock subject to such option. To the extent the applicable Serena stock plan did not permit Serena to cancel outstanding options in connection with the merger without the consent of the option holder, Serena made an offer to such option holders (other than management participants) to cancel all of their options in exchange for the payment of the option consideration. In the case of options held by the management participants, the management participants were permitted (i) to roll over those options with an exercise price of less than \$24.00 per share into new post-merger options to purchase Serena shares, subject to equitable adjustments to the exercise price and the number of shares subject to the options (the terms of these roll over options are described in greater detail under Management), (ii) to effect a cashless exercise of those options with an exercise price less than \$24.00 per share in connection with the merger, or (iii) to cancel the options for the opportunity to receive future awards of options to purchase Serena shares. In the event that any of the options to acquire Serena common stock were not subject to the roll over, or otherwise exercised or cancelled prior to the merger, then such outstanding options remained outstanding and were subject to adjustment upon completion of the merger pursuant to the terms set forth in the applicable Serena stock plans.

Effect on Serena Convertible Subordinated Notes. Pursuant to the indenture governing Serena's convertible subordinated notes, any of such notes covered by the indenture that were not converted to Serena's common stock prior to the effective time of the merger became convertible into cash, following the merger, in an amount of \$24.00 for each share of Serena common stock into which the notes were convertible prior to the merger. None of the convertible subordinated notes were converted by the effective time of the merger. The approximately \$65.4 million, excluding conversion premiums totaling \$5.4 million, of convertible subordinated notes that remained outstanding on April 30, 2006 have substantially since converted with all accrued interest being forfeited.

Management Investment. As described in greater detail in Management and Related Party Transactions Agreements Related to the Merger Management Agreements, Mark Woodward, our President

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and Chief Executive Officer, and Robert Pender, our Chief Financial Officer, and other members of our management, made an equity investment in the surviving corporation in connection with the merger. Together, Messrs. Woodward and Pender and these members of our management are referred to in this prospectus as the management participants. The aggregate value of the equity participation by the management participants was \$16.2 million, on a pre-tax basis, not including \$4.5 million, on a pre-tax basis, of equity interests in the surviving corporation related to the roll-over of unvested restricted stock.

Debt Financing. In connection with the merger, we (1) entered into a senior secured credit agreement, which provides for senior secured borrowings consisting of a \$400.0 million term loan and a \$75.0 million revolving credit facility and (2) issued \$200.0 million aggregate principal amount of the outstanding notes. See Description of Certain Other Indebtedness.

The offering of the outstanding notes, the initial borrowings under our senior secured credit agreement, the equity investments and participation by the Silver Lake investors, the Troxel investors and the management participants, the merger and the other related transactions are collectively referred to in this prospectus as the acquisition transactions.

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USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the exchange notes pursuant to the exchange offer. In consideration for issuing the exchange notes as contemplated in this prospectus, we will receive in exchange a like principal amount of outstanding notes, the terms of which are substantially identical to the exchange notes. The outstanding notes surrendered in exchange for the exchange notes will be retired and cancelled and cannot be reissued. Accordingly, issuance of the exchange notes will not result in any change in our capitalization.

Table of Contents**Index to Financial Statements****CAPITALIZATION**

The following table sets forth our cash and cash equivalents and total capitalization as of April 30, 2006. The information in this table should be read in conjunction with The Merger and the Acquisition Transactions, Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included elsewhere in this prospectus.

	As of April 30, 2006 (in millions)
Cash and cash equivalents and short-term investments	\$ 133.4
Debt:	
Senior secured credit agreement(1):	
Revolving credit facility	\$
Term loan	400.0
Senior subordinated notes	200.0
Convertible subordinated notes(2)	70.8
Total debt	670.8
Stockholders' equity(3)	503.1
Total capitalization	\$ 1,173.9

-
- (1) In connection with the acquisition transactions, we entered into a senior secured credit agreement, which will provide for borrowings consisting of a six-year, \$75.0 million revolving credit facility and a seven-year, \$400.0 million term loan. As of April 30, 2006, we had not borrowed amounts under the revolving credit facility.
- (2) The Serena convertible subordinated notes became convertible into cash, following the merger, in an amount of \$24.00 for each share of Serena common stock into which the convertible subordinated notes were convertible prior to the merger. The approximately \$65.4 million, excluding conversion premiums totalling \$5.4 million, of convertible subordinated notes that remained outstanding on April 30, 2006 have substantially since converted with all accrued interest being forfeited.
- (3) Serena has outstanding one share of Series A preferred stock, which is held by an affiliate of Silver Lake and is the only authorized share of Series A preferred stock. This share of Series A preferred stock carries preferential rights regarding election of directors and is not entitled to receive or participate in any dividends. Serena is required to redeem this share of Series A preferred stock for \$1.00 upon the occurrence of specified events. See Related Party Transactions Agreements Related to the Merger Contribution and Voting Agreement.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited *pro forma* condensed consolidated statements of operations have been developed by applying *pro forma* adjustments to the historical consolidated statements of operations of Serena Software, Inc. appearing elsewhere in this prospectus. The unaudited *pro forma* condensed consolidated statements of operations give effect to the acquisition transactions as if they had occurred on February 1, 2005. For purposes of these unaudited *pro forma* condensed consolidated statements of operations, we have assumed that 100% of Serena's convertible subordinated notes totaling \$220.0 million have converted into shares of Serena common stock or into \$24.00 per share, as applicable, immediately prior to consummation of the acquisition transactions, and that all accrued and unpaid interest thereon would be forfeited and not paid and would therefore be reflected in beginning stockholders' equity on a *pro forma* basis. Because conversion is assumed to be immediately prior to the consummation of the merger, no interest charges associated with these convertible subordinated notes are reflected in any *pro forma* statement of operations. As of April 30, 2006, all but \$65.4 million, excluding conversion premiums totalling \$5.4 million, of the convertible subordinated notes were converted and since such date, all but \$8,000 of these convertible subordinated notes have been converted. The other assumptions underlying the *pro forma* adjustments are described in the accompanying notes, which should be read in conjunction with these unaudited *pro forma* condensed consolidated statements of operations.

The unaudited *pro forma* adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances. The unaudited *pro forma* condensed consolidated financial information is presented for informational purposes only. The unaudited *pro forma* condensed consolidated financial information does not purport to represent what our results of operations or financial condition would have been had the respective transactions actually occurred on February 1, 2005 and they do not purport to project our results of operations for any future period. The unaudited *pro forma* condensed consolidated statements of operations should be read in conjunction with the information contained in The Merger and the Acquisition Transactions, Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this prospectus. All *pro forma* adjustments and their underlying assumptions are described more fully in the notes to our unaudited *pro forma* condensed consolidated statements of operations.

The merger has been accounted for as an acquisition, using the purchase method of accounting, from the date of completion, March 10, 2006. As a result, the financial statements for pre-merger Serena, as Predecessor, for periods ending on or before March 10, 2006, generally will not be comparable to the financial statements for post-merger Serena, as Successor, for periods ending on or after that date. Under purchase accounting, Serena's tangible assets and liabilities and intangible assets have been recorded at fair value, which has resulted in a new carrying basis for those assets and liabilities. Serena also has a new capital structure as a result of the merger and the acquisition transactions, which reflects changes in stockholders' equity as well as the issuance of debt totaling \$600.0 million and the conversion of \$154.6 million of convertible subordinated notes.

As of the date of this prospectus, we have completed the valuation studies necessary to determine the fair values of the assets we acquired and liabilities we assumed and the related preliminary allocation of purchase price. An appraisal was performed to assist management in determining the fair value of acquired assets and liabilities, including identifiable intangible assets. For purposes of these *pro forma* condensed consolidated statements of operations, fair values and useful lives have been determined based on that appraisal.

Table of Contents**Index to Financial Statements****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED APRIL 30, 2006**

	Historical Serena(*)	Adjustments for Acquisition Transactions (in thousands)	Pro Forma Serena
Revenue:			
Software license	\$ 15,248	\$	\$ 15,248
Maintenance	31,409		31,409
Professional services	8,218		8,218
Total revenue	54,875		54,875
Cost of revenue:			
Software licenses	690		690
Maintenance	3,182	30(c)	3,212
Professional services	7,661	24(c)	7,685
Amortization of acquired technology	6,668	1,921(a)	8,589
Total cost of revenue	18,201		20,176
Gross profit	36,674		34,699
Operating expenses:			
Sales and marketing	16,562	379(c)	16,941
Research and development	8,665	177(c)	8,842
General and administrative	5,458	591(c)	6,049
Amortization of intangible assets	6,270	2,805(a)	9,075
Acquired in-process research and development	4,100	(4,100)(c)	
Restructuring, acquisition and other charges	42,022	(42,022)(c)	
Total operating expenses	83,077		40,907
Operating loss	(46,403)		(6,208)
Interest income	2,443	(2,105)(b)	338
Interest expense	(7,720)	(4,986)(b)	(12,706)
Amortization of debt issuance costs	(2,213)	1,763(b)	(450)
Loss before income taxes	(53,893)		(19,026)
Income tax expenses (benefit)	(11,799)	4,284(d)	(7,515)
Net loss	\$ (42,094)	\$ 30,583(e)	\$ (11,511)

(*) Historical Serena is derived from the unaudited condensed statements of operations appearing elsewhere in this prospectus and is the result of aggregating the Predecessor period from February 1, 2006 through March 9, 2006 and the Successor period from March 10, 2006 through April 30, 2006, without further adjustment. Historical Serena is not in accordance with, or an alternative for, generally accepted accounting principles, and is provided solely for the purpose of developing the *pro-forma* Serena condensed consolidated statement of operations for the three months ended April 30, 2006.

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See Accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Statements of Operations

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NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENTS OF OPERATIONS

- (a) Represents change in amortization had the merger been effective February 1, 2005 and accordingly been in place for the entire three months ended April 30, 2006, and also based upon fair values and useful lives of software products and customer base.

These unaudited *pro forma* condensed consolidated statements of operations reflect a preliminary allocation to tangible assets, liabilities, goodwill and other intangible assets. An appraisal was performed to assist management in determining the fair value of acquired assets and liabilities, including identifiable intangible assets. For purposes of these *pro forma* condensed consolidated statements of operations, fair values and useful lives have been determined based on that appraisal.

- (b) Reflects *pro forma* interest expense, debt issuance cost amortization and interest income resulting from our new capital structure (using an estimated interest rate at closing of 7.5% for the term loan and an interest rate of 10.375% for the senior subordinated notes) had the new capital structure been in place for the entire three months ended April 30, 2006. *Pro forma* amounts would have been as follows:

	Three Months Ended	
	April 30, 2006 (in thousands)	
Revolving credit facility(1)	\$	
Term loan(2)		7,425
Senior subordinated notes(3)		5,187
Bank commitment fees(4)		94
Total <i>pro forma</i> cash interest expense		12,706
Less historical interest expense		7,720
Net adjustment to interest expense	\$	4,986
Amortization of <i>pro forma</i> capitalized debt issuance costs(5)	\$	450
Less historical capitalized debt amortization (5)		2,213
Net adjustment to capitalized debt amortization	\$	(1,763)
Reduction of interest income due to use of cash to fund purchase price(6)	\$	2,105

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- (1) The \$75.0 million revolving credit facility carries an interest rate of three-month LIBOR plus 2.50%. We had not borrowed amounts under the revolving credit facility upon closing of the acquisition transactions or as of April 30, 2006.
- (2) Reflects interest on the \$400.0 million term loan, net of minimum principal paydown requirements, which is calculated at a rate of three-month LIBOR plus 2.25%, which was estimated as 7.5% on the effective date of the merger. Annual payments due on the outstanding principal are 1.0% of the original balance payable in equal quarterly installments.
- (3) Reflects interest on the \$200.0 million of outstanding senior subordinated notes, at an interest rate of 10.375%.
- (4) Represents annual commitment fee of 0.5% on the \$75.0 million undrawn balance of the revolving credit facility.
- (5) Represents debt issuance costs totaling \$0.5 million associated with the senior secured credit agreement and the senior subordinated notes, amortized over seven years for the senior secured credit agreement and over ten years for the senior subordinated notes using

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the straight line method. Historical capitalized debt amortization includes debt issuance costs totaling \$1.8 million associated with the unused bridge loan commitment that was amortized immediately upon consummation of the merger.

- (6) Represents reduced interest income, assuming a 2% interest rate, after the use of \$15.7 million of cash to fund the purchase price.

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Interest rate sensitivity

A 0.50% change in the interest rate on the term loan would change cash interest expense for the three months ended April 30, 2006 by \$0.5 million.

- (c) Represents stock-based compensation expense under SFAS 123R had stock options and unvested restricted stock associated with the acquisition transactions been outstanding for the entire three months ended April 30, 2006, net of the elimination of historical stock-based compensation. Also represents the elimination of acquired in-process research and development totaling \$4.1 million and transaction-related costs totaling \$42.0 million in connection with the acquisition transactions.
- (d) Represents the tax effect of the *pro forma* adjustments, calculated at an effective rate of 39%.
- (e) Net income does not include the effects of the following non-recurring items: \$18.5 million of stock-based compensation expense from the acceleration of unvested stock options and unvested restricted stock resulting from the acquisition transactions, \$42.0 million of costs related to the acquisition transactions incurred by Serena and expensed as one-time charges upon the closing of the acquisition transactions (as this amount would have been reflected in Serena's historical financial statements prior to the acquisition transactions), and \$4.1 million in in-process research and development expense.

Table of Contents**Index to Financial Statements****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****FOR THE FISCAL YEAR ENDED JANUARY 31, 2006**

	Historical Serena	Adjustments for Acquisition Transactions (in thousands)	Pro Forma Serena
Revenue:			
Software license	\$ 90,554	\$	\$ 90,554
Maintenance	136,009		136,009
Professional services	29,209		29,209
Total revenue	255,772		255,772
Cost of revenue:			
Software licenses	3,211		3,211
Maintenance	13,208		13,208
Professional services	26,609		26,609
Amortization of acquired technology	16,921	16,239(a)	33,160
Stock-based compensation	36	(36)(c)	
Total cost of revenue	59,985		76,188
Gross profit	195,787		179,584
Operating expenses:			
Sales and marketing	73,880		73,880
Research and development	34,534		34,534
General and administrative	17,587		17,587
Stock-based compensation	1,741	(1,741)(c)	
Amortization of intangible assets	10,516	25,784(a)	36,300
Restructuring, acquisition and other charges	6,462	(6,462)(c)	
Total operating expenses	144,720		162,301
Operating income	51,067		17,283
Interest income	6,203	(1,994)(b)	4,209
Interest expense	(3,300)	(47,825)(b)	(51,125)
Amortization of debt issuance costs	(1,340)	(2,271)(b)	(3,611)
Income (loss) before income taxes	52,630		(33,244)
Income tax expenses (benefit)	17,363	(28,334)(d)	(10,971)
Net income (loss)	\$ 35,267	\$ (57,540)(e)(f)	\$ (22,273)

See Accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Statements of Operations

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NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENTS OF OPERATIONS

- (a) Represents change in amortization based upon fair values and useful lives of software products and customer base.

These unaudited *pro forma* condensed consolidated statements of operations reflect a preliminary allocation to tangible assets, liabilities, goodwill and other intangible assets.

- (b) Reflects *pro forma* interest expense resulting from our new capital structure (using an estimated interest rate at closing of 7.5% for the term loan and an interest rate of 10.375% for the senior subordinated notes) as follows:

	Fiscal Year Ended
	January 31, 2006 (in thousands)
Revolving credit facility(1)	\$
Term loan(2)	30,000
Senior subordinated notes(3)	20,750
Bank commitment fees(4)	375
Total <i>pro forma</i> cash interest expense	51,125
Less historical interest expense	3,300
Net adjustment to interest expense	\$ 47,825
Amortization of <i>pro forma</i> capitalized debt issuance costs(5)	\$ 3,611
Less historical capitalized debt amortization	1,340
Net adjustment to capitalized debt amortization	\$ 2,271
Reduction of interest income due to use of cash to fund purchase price(6)	\$ 1,994

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- (1) The \$75.0 million revolving credit facility carries an interest rate of three-month LIBOR plus 2.50%. We had not borrowed amounts under the revolving credit facility upon closing of the acquisition transactions.
- (2) Reflects interest on the \$400.0 million term loan, which is calculated at a rate of three-month LIBOR plus 2.25%, which was estimated as 7.5% on the effective date of the merger. Annual payments due on the outstanding principal are 1.0% of the original balance payable in equal quarterly installments.
- (3) Reflects interest on the \$200.0 million of outstanding senior subordinated notes, at an interest rate of 10.375%.
- (4) Represents annual commitment fee of 0.5% on the assumed \$75.0 million undrawn balance of the revolving credit facility.
- (5) Represents debt issuance costs totaling \$1.8 million associated with the senior secured credit agreement and the senior subordinated notes, amortized over seven years for the senior secured credit agreement and over ten years for the senior subordinated notes using the straight line method. Also represents debt issuance costs totaling \$1.8 million associated with the unused bridge loan commitment that will be amortized immediately upon consummation of the merger.
- (6) Represents reduced interest income, assuming a 2% interest rate, after the use of \$15.7 million of cash to fund the purchase price.

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Interest rate sensitivity

A 0.50% change in the interest rate on the term loan would change cash interest expense for the fiscal year ended January 31, 2006 by \$2.0 million.

- (c) Represents the elimination of historical stock based compensation in cost of revenue totaling \$36,000 and in operating expenses totaling \$1.7 million. Also represents the elimination of transaction-related costs totaling \$6.5 million in connection with the acquisition transactions.
- (d) Represents the tax effect of the *pro forma* adjustments, calculated at an effective rate of 39%.
- (e) Net income does not include the effects of the following non-recurring items: \$18.5 million of stock-based compensation expense from the acceleration of unvested stock options and unvested restricted stock resulting from the acquisition transactions, \$21.5 million of costs related to the acquisition transactions incurred by Serena and expensed as one-time charges upon the closing of the acquisition transactions (as this amount would have been reflected in Serena's historical financial statements prior to the acquisition transactions), and approximately \$4.1 million in in-process research and development expense. These costs were reflected in equity as of the consummation of the acquisition transactions.
- (f) Net income does not include the effects of the amortization of the writedown of deferred revenue, as it is a non-recurring charge. The total deferred revenue writedown of \$15.0 million has however been included in determining the amount of goodwill in the pro forma balance sheet at January 31, 2006.

Table of Contents**Index to Financial Statements****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table sets forth selected historical consolidated financial data of Serena as of the dates and for the periods indicated. The selected historical consolidated financial data as of January 31, 2005 and 2006 and for each of the years in the three-year period ended January 31, 2006 have been derived from our audited consolidated financial statements and related notes appearing elsewhere in this prospectus. The selected historical financial data as of and for the three months ended April 30, 2005 and 2006 have been derived from our unaudited condensed consolidated financial statements and related notes included elsewhere in this prospectus. The selected historical consolidated financial data as of January 31, 2002, 2003 and 2004 and for the years in the two-year period ended January 31, 2003 presented in this table have been derived from audited consolidated financial statements not included in this prospectus. The results of operations for any period are not necessarily indicative of the results to be expected for any future period. The selected historical consolidated financial data set forth below should be read in conjunction with, and are qualified by reference to, Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and related notes thereto appearing elsewhere in this prospectus.

	Predecessor					Successor		
	Fiscal Year Ended January 31,(1)					Three Months Ended April 30, 2006 For the Period From February 1, 2006 to March 9, 2006 For the Period From March 10, 2006 to April 30, 2006		
	2002	2003	2004	2005	2006	Three Months Ended April 30, 2005	March 9, 2006	March 10, 2006 to April 30, 2006
	(in thousands)							
Consolidated Statement of Operations Data:								
Revenue:								
Software licenses	\$ 49,514	\$ 44,250	\$ 45,469	\$ 85,350	\$ 90,554	\$ 22,178	\$ 2,847	\$ 12,401
Maintenance	41,812	44,476	51,050	98,558	136,009	32,996	13,989	17,420
Professional services	7,315	7,049	9,037	24,197	29,209	6,135	2,872	5,346
Total revenue	98,641	95,775	105,556	208,105	255,772	61,309	19,708	35,167
Cost of revenue:								
Software licenses	931	1,224	668	3,149	3,211	603	238	452
Maintenance	5,448	5,548	6,378	11,420	13,208	3,419	1,375	1,807
Professional services	6,576	6,519	8,730	21,466	26,609	5,846	3,035	4,626
Amortization of acquired technology	4,324	4,324	6,513	14,051	16,921	4,167	1,786	4,882
Stock-based compensation(*)				44	36	14		
Total cost of revenue	17,279	17,615	22,289	50,130	59,985	14,049	6,434	11,767
Gross profit	81,362	78,160	83,267	157,975	195,787	47,260	13,274	23,400
Operating expenses:								
Sales and marketing	29,357	26,361	29,158	64,343	73,880	17,778	6,520	10,042
Research and development	13,308	11,779	14,025	31,043	34,534	8,856	3,555	5,110
General and administrative	6,618	7,311	7,342	18,587	17,587	4,630	1,806	3,652
Stock-based compensation(*)	135	23		686	1,741	215		
Amortization of intangible assets, including goodwill through fiscal year 2002	4,012	162	2,032	9,608	10,516	2,814	1,098	5,172
Acquired in-process research and development				10,400				4,100
Restructuring, acquisition and other charges(*)	2,529			2,351	6,462		41,916	106
Total operating expenses	55,959	45,636	52,557	137,018	144,720	34,293	54,895	28,182

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Operating income (loss)	25,403	32,524	30,710	20,957	51,067	12,967	(41,621)	(4,782)
Interest income	5,968	4,726	3,399	3,868	6,203	1,112	856	1,587
Interest expense			(413)	(3,300)	(3,300)	(825)	(355)	(7,365)
Amortization of debt issuance costs			(42)	(1,466)	(1,340)	(335)	(1,931)	(282)
Income (loss) before income taxes	31,371	37,250	33,654	20,059	52,630	12,919	(43,051)	(10,842)
Income tax expense (benefit)	12,862	14,096	12,303	10,573	17,363	4,780	(8,335)	(3,464)
Net income (loss)	\$ 18,509	\$ 23,154	\$ 21,351	\$ 9,486	\$ 35,267	\$ 8,139	\$ (34,716)	\$ (7,378)

(footnotes on following page)

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	Predecessor					Successor		
	Fiscal Year Ended January 31,(1)					Three Months Ended April 30, 2006 For the Period From February 1, 2006 to March 9, 2006		
	2002	2003	2004	2005	2006	Three Months Ended April 30, 2005	2006 to March 9, 2006	For the Period From March 10, 2006 to April 30, 2006
	(in thousands)							
(*) Stock-based compensation								
SFAS 123R compensation expense has been allocated to expense categories in all periods beginning on or after February 1, 2006 to coincide with the Company's adoption of SFAS 123R.								
Cost of maintenance	\$	\$	\$	\$ 21	\$ 17	\$ 7	\$ 1	\$ 43
Cost of professional services				23	19	7	2	36
Stock-based compensation in cost of revenue				44	36	14	3	79
Sales and marketing				386	316	121	27	691
Research and development				176	144	55	12	259
General and administrative				124	1,281	39	212	914
Restructuring, acquisition and other charges							18,457	
Stock-based compensation in operating expenses				686	1,741	215	18,708	1,864
Total stock-based compensation	\$	\$	\$	\$ 730	\$ 1,777	\$ 229	\$ 18,711	\$ 1,943

Statement of Cash Flows Data:

Net cash provided by (used in):								
Operating activities	\$ 39,207	\$ 31,898	\$ 34,438	\$ 63,171	\$ 84,055	12,581	\$ 6,050	10,847
Investing activities	(44,742)	(16,807)	(44,881)	(151,942)	(29,714)	(23,859)	31,974	(827,281)
Financing activities	6,315	4,045	162,362	(30,634)	(39,740)	(28,587)	1,067	749,886

	Predecessor					Successor		
	As of January 31,(1)					As of April 30, 2005 As of March 9, 2006 As of April 30, 2006		
	2002	2003	2004	2005	2006	As of April 30, 2005	As of March 9, 2006	As of April 30, 2006
	(in thousands)							
Consolidated Balance Sheet Data:								
Cash, cash equivalents and short-term investments	\$ 132,594	\$ 143,074	\$ 296,495	\$ 150,108	\$ 209,238	\$ 125,133		\$ 133,432
Working capital	117,378	124,151	278,178	90,877	151,393	70,435		30,866
Total assets	231,070	264,523	473,661	695,119	671,610	676,860		1,446,078
Convertible subordinated notes			220,000	220,000	220,000	220,000		70,768
Term loan, net of current portion								342,857
Senior subordinated notes								200,000
Total other long-term liabilities	10,295	8,831	13,166	56,753	40,537	57,022		182,527
Total stockholders' equity	184,776	212,962	195,278	297,616	301,008	277,131		503,105

Other Data:

Ratio of earnings to fixed charges(2)	58.6x	77.4x	35.0x	4.2x	9.5x	9.4x		
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(1) Certain reclassifications have been made to the consolidated statement of operations data for the years ended January 31, 2002, 2003, 2004 and 2005 to conform to the presentation adopted for the year ended January 31, 2006. These reclassifications did not have a material impact on the prior reported balances and no impact on total revenue, income from operations, or net income.

(2)

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For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income before income taxes and fixed charges. Fixed charges include: interest expense, whether expensed or capitalized, amortization of debt issuance cost, and the portion of rental expense representative of the interest factor (which we have estimated to be one-third of rental expense). Earnings would not have been sufficient to cover fixed charges by \$43.1 million for the predecessor period from February 1, 2006 through March 9, 2006 and by \$10.8 million for the successor period from March 10, 2006 through April 30, 2006.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

The following discussion covers periods prior to and subsequent to the consummation of the acquisition transactions. Accordingly, the discussion of historical periods does not reflect the significant impact that the acquisition transactions will have on us. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the risks described in Risk Factors and elsewhere in this prospectus. You should read the following discussion in conjunction with the information included under the headings Unaudited Pro Forma Condensed Consolidated Financial Information, Selected Historical Consolidated Financial Data and the financial statements and the related notes thereto included elsewhere in this prospectus.

Overview

We are the largest global independent software company in terms of revenue focused solely on managing change across information technology, or IT, environments. Our products and services are used to manage and control change in mission critical technology and business process applications. Our software configuration management, business process management, helpdesk and requirements management solutions enable our customers to improve process consistency, enhance software integrity, mitigate risks, support regulatory compliance and boost productivity. Our revenue is generated by software licenses, maintenance contracts and professional services. Our customers rely on our software products, which are typically embedded within their IT environment, and are generally accompanied by renewable annual maintenance contracts.

On March 10, 2006, Spyglass Merger Corp., an affiliate of Silver Lake Partners, a private equity firm, merged with and into Serena, a transaction we refer to in this prospectus as the merger. Pursuant to the merger, Serena stockholders received \$24.00 in cash in exchange for each share of stock, except that certain members of our management team retained a portion of their shares of Serena common stock and/or options to purchase Serena common stock after the merger. As a result of the merger, our common stock ceased to be traded on the NASDAQ National Market and we became a privately-held company, with approximately 56.5% of our common stock on a fully diluted basis owned by investment funds affiliated with Silver Lake Partners. See The Merger and the Acquisition Transactions.

None of the \$220.0 million of Serena convertible subordinated notes were converted into Serena common stock prior to the effective time of the merger, and so all the convertible subordinated notes became convertible into cash, following the merger, in an amount of \$24.00 for each share of Serena common stock into which the convertible subordinated notes were convertible prior to the merger. Approximately \$65.4 million of the convertible subordinated notes, excluding conversion premiums totaling \$5.4 million, remained outstanding on April 30, 2006. Holders had been able to convert such notes into cash in connection with the merger through March 25, 2006. On May 15, 2006, we extended the date on which holders could convert such notes into cash to May 30, 2006. On May 30, 2006, all but \$8,000 of such notes were converted into cash.

In connection with the merger, Spyglass, the Silver Lake investors, Mr. Troxel and the Troxel investors entered into a stockholders agreement which required that, until the earlier of a control event or an initial public offering of shares of our common stock, the parties to that agreement that beneficially own shares of our common stock will vote those shares to elect a board of directors having a specified composition. For further details on the meaning of control event and the composition of the board of directors, see Related Party Transactions Agreements Related to the Merger.

Also, in connection with the merger, we entered into a senior secured credit agreement, issued senior subordinated notes, and entered into other related transactions, which we refer to collectively as the acquisition transactions. After consummation of the acquisition transactions, we are highly leveraged. As of April 30, 2006, we had outstanding \$670.8 million in aggregate indebtedness, including the conversion premium on the convertible subordinated notes, with an additional \$75.0 million of borrowing capacity available under our new revolving credit facility. Our liquidity requirements are significant, primarily due to debt service requirements.

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On a *pro forma* basis, after giving effect to the acquisition transactions, our cash interest expense for the fiscal year ended January 31, 2006 would have been \$51.1 million.

In March 2005, we acquired business application planning technology from Apptero, Inc., or Apptero, for approximately \$4.1 million. In connection with the acquisition, which has been accounted for as an asset purchase, we have capitalized \$7.0 million of acquired technology associated with the business application planning technology. The acquired technology will be amortized over its economic useful life of five years. Also in connection with this acquisition, we have recorded a deferred tax liability of approximately \$2.8 million for the difference between the assigned values and the tax bases of the acquired technology.

We derive our revenue from software licenses, maintenance and professional services. For the fiscal year ending January 31, 2006, 67% of our software license revenue came from our distributed systems products and 33% from our mainframe products. Our distributed systems products are licensed on a per user seat basis. Customers typically purchase mainframe products under million instructions per second, or MIPS-based, perpetual licenses. Mainframe software products and applications are usually priced based on hardware computing capacity. The higher a hardware's MIPS capacity, the more expensive a software license will be.

We also provide ongoing maintenance, which includes technical support, version upgrades and enhancements, for an annual fee of approximately 21% of the discounted list price of the licensed product for our distributed systems products and approximately 17% to 18% of the discounted list price of the licensed product for our mainframe products. We recognize maintenance revenue over the term of the maintenance contract on a straight-line basis.

Professional services revenue is derived from technical consulting and educational services. Our professional services are typically billed on a time and materials basis and revenue is recognized as the related services are performed. Maintenance revenue and professional services revenue have lower gross profit margins than software license revenue as a result of the costs inherent in operating our customer support and professional services organizations.

In the three months ended April 30, 2006, we experienced a decrease in total revenues of 10%, as total revenues for such period were \$54.9 million versus \$61.3 million in the same period from a year ago. The decrease was primarily the result of slower seasonal software purchasing activity and distractions relating to the merger.

For the three months ended April 30, 2006, 73% of our software license revenue came from our distributed systems products and 27% from our mainframe products.

Historically, our revenue has been generally attributable to sales in North America, Europe and to a lesser extent the Asia Pacific region. Revenue attributable to sales in North America accounted for approximately 66% of our total revenue in fiscal year 2006, 69% of our total revenue in fiscal year 2005 and 71% of our total revenue in fiscal year 2004.

Our international revenue is attributable principally to our European operations. International sales represented approximately 39% and 31% of our total revenue in the three months ended April 30, 2006, and the same period a year ago, respectively. International sales represented approximately 34% in fiscal year 2006, 31% in fiscal year 2005 and 29% in fiscal year 2004 of our total revenue. International revenue growth in fiscal year 2006, when compared to 2005, and in fiscal year 2005, when compared to 2004, was 37% and 107%, respectively. No single customer accounted for 10% or more of total revenue in fiscal years 2004, 2005 or 2006.

In January 2002, we entered into an OEM agreement with IBM Corporation, or IBM, whereby IBM acquired the rights to resell our *StarTool* APM technology. We recognized our first revenue from this arrangement in the second quarter of fiscal year 2003 and such revenue has been subject to material fluctuations

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from quarter to quarter. Total revenue from our IBM OEM relationship was 5% of total revenue in fiscal year 2004 and accounted for less than 2% of total revenue in fiscal year 2005 and less than 1% of total revenue in the fiscal year ended January 31, 2006. In April 2005, we received from IBM the notice of termination of the OEM agreement. Under the terms of the OEM agreement, we will continue to support IBM's customers through June 30, 2006.

Critical Accounting Policies and Estimates

This discussion is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. In many instances, we could have reasonably used different accounting estimates, and in other instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by us. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation of our financial condition or results of operations could be affected.

On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, trade accounts receivable and allowance for doubtful accounts, impairment or disposal of long-lived assets, and accounting for income taxes, among other things. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We refer to accounting estimates of this type as critical accounting policies, which are discussed further below.

In addition to these estimates and assumptions that we utilize in the preparation of historical financial statements, the inability to properly estimate the timing and amount of future revenue could significantly affect our future operations. We must make assumptions and estimates as to the timing and amount of future revenue. Specifically, our sales personnel monitor the status of all proposals, including the estimated closing date and potential dollar amount of such transactions. We aggregate these estimates periodically to generate a sales pipeline and then evaluate the pipeline to identify trends in our business. This pipeline analysis and related estimates of revenue may differ significantly from actual revenue in a particular reporting period as the estimates and assumptions were made using the best available data at the time, which is subject to change. Specifically, slowdowns in the global economy and information technology spending has caused and may continue to cause customer purchasing decisions to be delayed, reduced in amount or cancelled, all of which have reduced and could continue to reduce the rate of conversion of the pipeline into contracts. A variation in the pipeline or the conversion rate of the pipeline into contracts could cause us to plan or budget inaccurately and thereby could adversely affect our business, financial condition or results of operations. In addition, because a substantial portion of our software license contracts close in the latter part of a quarter, we may not be able to adjust our cost structure to respond to a variation in the conversion of the pipeline in a timely manner, and thereby the delays may adversely and materially affect our business, financial condition or results of operations.

We believe the following are critical accounting policies and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We recognize revenue in accordance with Statement of Position, or SOP, 97-2, Software Revenue Recognition, as amended by SOP 98-9, and recognize revenue when all of the following criteria are met as set forth in paragraph 8 of SOP 97-2: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred, (3) the fee is fixed or determinable and (4) collectibility is probable.

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For contracts with multiple elements (e.g., license and maintenance), revenue is allocated to each component of the contract based on vendor specific objective evidence, or VSOE, of its fair value, which is the price charged when the elements are sold separately. Since VSOE of fair value has not been established for software licenses, the residual method is used to allocate revenue to the license portion of multiple-element arrangements.

We sell our products to our end users and distributors under license agreements or purchase orders. Software license revenue from license agreements or purchase orders is recognized upon receipt and acceptance of a signed contract or purchase order and delivery of the software, provided the related fee is fixed or determinable and collection of the fee is probable. If an acceptance period is required, revenue is recognized upon the earlier of customer acceptance or the expiration of the acceptance period, as defined in the applicable software license agreement. Each new mainframe license includes maintenance, which includes the right to receive telephone support, bug fixes and unspecified upgrades and enhancements, for a specified duration of time, usually one year. The fee associated with such agreements is allocated between software license revenue and maintenance revenue based on the residual method.

We recognize maintenance revenue ratably over the life of the related maintenance contract. Maintenance contracts on perpetual licenses generally renew annually. We typically invoice and collect maintenance fees on an annual basis at the anniversary date of the license. Deferred revenue represents amounts received by us in advance of performance of the maintenance obligation. Professional services revenue includes fees derived from the delivery of training, installation, and consulting services. Revenue from training, installation, and consulting services is recognized on a time and materials basis as the related services are performed. These services do not involve significant production, modification or customization of the software and the services are not essential to the functionality of the software.

Stock-based Compensation. Effective February 1, 2006, we adopted the provisions of, and accounted for stock-based compensation in accordance with, the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 123R (SFAS 123R), *Share-Based Payment*. We elected the modified prospective application method of adoption, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. Under the fair value recognition provisions of SFAS 123R stock-based compensation cost is measured at the grant date based on the fair value of the award over the requisite service period, which is the vesting period. For stock-based awards granted on or after February 1, 2006, we have elected the graded-vesting attribution method for recognizing stock-based compensation expense over the requisite service period for each separately vesting tranche of awards as though the awards were, in substance, multiple awards. Estimated compensation for grants that were outstanding as of the effective date will be recognized over the remaining service period using the compensation costs estimated for the SFAS No. 123 pro forma disclosures.

We currently use the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends.

We estimate the expected term of options granted based on observed and expected time to post-vesting exercise and/or cancellations. Expected volatility is based on the combination of historical volatility of our common stock and our peer group's common stock over the period commensurate with the expected life of the options. We base the risk-free interest rate that we use in the option pricing model on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options. We do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in the option pricing model. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent

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periods if actual forfeitures differ from those estimates. We use forecasted projections to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. All stock-based awards are amortized on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods or if we decide to use a different valuation model, the future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and net income per share.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics not present in our option grants. Existing valuation models, including the Black-Scholes and lattice binomial models, may not provide reliable measures of the fair values of our stock-based compensation. Consequently, there is a risk that our estimates of the fair values of our stock-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination or forfeiture of those stock-based payments in the future. Certain stock-based payments, such as employee stock options, may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, value may be realized from these instruments that are significantly higher than the fair values originally estimated on the grant date and reported in our financial statements. There currently is no market-based mechanism or other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor is there a means to compare and adjust the estimates to actual values.

The guidance in SFAS 123R and SAB 107 is relatively new. The application of these principles may be subject to further interpretation and refinement over time. There are significant differences among valuation models, and there is a possibility that we will adopt different valuation models in the future. This may result in a lack of consistency in future periods and materially affect the fair value estimate of stock-based payments. It may also result in a lack of comparability with other companies that use different models, methods and assumptions.

Stock-based compensation expense related to employee stock options and restricted stock awards recognized under SFAS 123R for the Predecessor period running from February 1, 2006 through March 9, 2006 was \$18.7 million and for the Successor period running from March 10, 2006 through April 30, 2006 was \$1.9 million.

See Note 4 of our unaudited condensed consolidated financial statements included elsewhere in this prospectus for further information regarding the SFAS 123R disclosures.

Valuation of Long-Lived Assets, Including Goodwill. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, assets such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or changes in circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or asset, a significant decrease in the benefits realized from the acquired business or asset, difficulties or delays in integrating the business, or a significant change in the operations of the acquired business or use of an asset. Recoverability of long-lived assets other than goodwill is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Significant management judgment is required in identifying a triggering event that arises from a change in circumstances; forecasting future operating results; and estimating the proceeds from the disposition of long-lived or intangible assets. Material impairment charges could be necessary should different conditions prevail or different judgments be made. Assets to be

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disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would be no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

To date, there has been no significant impairment of long-lived assets.

In accordance with SFAS No. 142, goodwill is tested annually for impairment in the fourth quarter of each fiscal year, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. Factors we consider important which could trigger an impairment review include, but are not limited to, significant under-performance relative to expected, historical or projected future operating results, significant changes in the manner of our use of acquired assets or the strategy for our overall business, or significant negative economic trends. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level and consists of two steps. First, we determine the fair value of a reporting unit and compare it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill.

We completed this test during the fourth quarters of fiscal year 2004, fiscal year 2005 and fiscal year 2006, and we have not recorded an impairment loss on goodwill.

Accounting for Income Taxes. Income taxes are recorded using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We assess the likelihood that deferred tax assets will be recoverable from future taxable income and a valuation allowance is provided if it is determined more likely than not that some portion of the deferred tax assets will not be realized.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

Table of Contents**Index to Financial Statements****Historical Results of Operations**

The following table sets forth our historical results of operations expressed as a percentage of total revenue and is not necessarily indicative of the results for any future period. Historical results include the post-acquisition results of TeamShare, Inc., or TeamShare, from June 5, 2003, Merant plc, or Merant, from April 23, 2004, Integrated Chipware's *RTM* product from June 21, 2004 and the Apptero product from March 7, 2005.

For purposes of the three months ended April 30, 2006 discussed herein, we have aggregated the predecessor period from February 1, 2006 through March 9, 2006 and the successor period from March 10, 2006 through April 30, 2006, without further adjustment. The supplemental aggregate disclosures and discussions are not in accordance with, or an alternative for, generally accepted accounting principles, and are provided solely for the purpose of providing additional supplemental information when comparing the Predecessor period from February 1, 2006 through March 9, 2006 plus the Successor period from March 10, 2006 through April 30, 2006 to the predecessor three month period ended April 30, 2005.

	Percentage of Revenue						
	Predecessor			Successor		Aggregate	
	Fiscal Year Ended	Three Months Ended	For the Period From	For the Period From	Three Months Ended		
2004	January 31, 2005	2006	April 30, 2005	February 1, 2006 to March 9, 2006	March 10, 2006 to April 30, 2006	April 30, 2006	
Revenue:							
Software licenses	43%	41%	35%	36%	14%	35%	28%
Maintenance	48%	47%	53%	54%	71%	50%	57%
Professional services	9%	12%	12%	10%	15%	15%	15%
Total revenue	100%	100%	100%	100%	100%	100%	100%
Cost of revenue:							
Software licenses	1%	2%	1%	1%	1%	1%	1%
Maintenance	6%	5%	5%	6%	7%	5%	6%
Professional services	8%	10%	10%	9%	16%	13%	14%
Amortization of acquired technology	6%	7%	7%	7%	9%	14%	12%
Total cost of revenue	21%	24%	23%	23%	33%	33%	33%
Gross profit	79%	76%	77%	77%	67%	67%	67%
Operating expenses:							
Sales and marketing	28%	31%	29%	29%	33%	29%	30%
Research and development	13%	15%	13%	14%	18%	15%	16%
General and administrative	7%	9%	7%	8%	9%	10%	10%
Stock-based compensation			1%				
Amortization of intangible assets	2%	5%	4%	5%	5%	15%	11%
Acquired in-process research and development		5%				12%	8%
Restructuring, acquisition and other charges		1%	2%		212%		77%

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Total operating expenses	50%	66%	56%	56%	277%	81%	152%
Operating income (loss)	29%	10%	21%	21%	(210)%	(14)%	(85)%
Interest income	3%	2%	2%	2%	4%	5%	5%
Interest expense		(1)%	(1)%	(1)%	(2)%	(21)%	(14)%
Amortization of debt issuance costs		(1)%	(1)%	(1)%	(10)%	(1)%	(4)%
Income (loss) before income taxes	32%	10%	21%	21%	(218)%	(31)%	(98)%
Income taxes (benefit)	12%	5%	7%	8%	(42)%	(10)%	(21)%
Net income (loss)	20%	5%	14%	13%	(176)%	(21)%	(77)%

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References to the dollar and percentage increases or decreases set forth below in this discussion are derived from comparisons between our consolidated statements of income for the three years ended January 31, 2004, 2005 and 2006 and our condensed consolidated statements of operations for the three month period ended April 30, 2005 and 2006, as applicable.

Comparison of Three Months Ended April 30, 2005 and 2006*Revenue*

We derive revenue from software licenses, maintenance and professional services. Our total revenue decreased \$6.4 million, or 10%, to \$54.9 million in the three months ended April 30, 2006 from \$61.3 million in the same period a year ago.

The following table summarizes software licenses, maintenance and professional services revenues for the periods indicated:

	Predecessor		Successor		Aggregate	
	Three Months Ended April 30, 2005	For the Period From February 1, 2006 to March 9, 2006	For the Period From March 10, 2006 to April 30, 2006	Three Months Ended April 30, 2006	Increase (Decrease) In Dollars	In %
(dollars in thousands)						
Revenue:						
Software licenses	\$ 22,178	\$ 2,847	\$ 12,401	\$ 15,248	\$ (6,930)	(31)%
Maintenance	32,996	13,989	17,420	31,409	(1,587)	(5)%
Professional Services	6,135	2,872	5,346	8,218	2,083	34%
Total revenue	\$ 61,309	\$ 19,708	\$ 35,167	\$ 54,875	\$ (6,434)	(10)%

Software Licenses. Software licenses revenue as a percentage of total revenue was 28% in the three months ended April 30, 2006, as compared to 36% in the same period a year ago. For the three months ended April 30, 2006, when compared to the same period a year ago, the decrease in total software licenses revenue is predominantly due to decreases in our mainframe systems license revenue, for the most part coming from decreased sales of *ChangeMan ZMF* products, and, to a lesser extent, decreased sales of our distributed systems license revenue, due predominately to slower software seasonal buying patterns and distractions relating to the merger. Sales of our distributed systems products make up an increasing proportion of total software licenses revenue. Distributed systems products accounted for \$11.2 million or 73% of total software licenses revenue in the three months ended April 30, 2006, as compared to \$15.0 million or 68% in the same period a year ago. We expect that our *Dimensions*, *Professional* and *TeamTrack* family of products will continue to account for a substantial portion of software license revenue in the future.

Maintenance. Maintenance revenue as a percentage of total revenue was 57% in the three months ended April 30, 2006, as compared to 54% in the same period a year ago. For the three months ended April 30, 2006, when compared to the same period a year ago, the decrease in maintenance revenue is due to the maintenance revenue write-down to fair value in connection with the merger of \$3.2 million. Without the write-down the increase in absolute dollars is due to growth of our installed software licenses base, as new licenses generally include one year of maintenance, and to a lesser extent maintenance price increases.

Professional Services. Professional services revenue as a percentage of total revenue was 15% in the three months ended April 30, 2006, as compared to 10% in the same period a year ago. For the three months ended April 30, 2006, when compared to the same period a year ago, the dollar increase is predominantly due the continued improvement in our consulting business, fueled in part by continued increases in large engagements. In general, professional services revenue is attributable to consulting opportunities resulting from our installed customer base and our expanded consulting service capabilities. We expect professional services revenue to growth slightly in absolute dollars in the near term.

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Cost of revenue, which consists of cost of software licenses, cost of maintenance, cost of professional services, amortization of acquired technology and stock-based compensation, was 33% of total revenue in the three months ended April 30, 2006, as compared to 23% in the same period a year ago.

The following table summarizes cost of revenue for the periods indicated:

	Predecessor		Successor		Aggregate	
	Three Months Ended April 30, 2005	For the Period From February 1, 2006 to March 9, 2006	For the Period From March 10, 2006 to April 30, 2006	Three Months Ended April 30, 2006	Increase (Decrease) In Dollars In %	
(dollars in thousands)						
Cost of revenue:						
Software licenses	\$ 603	\$ 238	\$ 452	\$ 690	\$ 87	14%
Maintenance	3,419	1,375	1,807	3,182	(237)	(7)%
Professional services	5,846	3,035	4,626	7,661	1,815	31%
Amortization of acquired technology	4,167	1,786	4,882	6,668	2,501	60%
Stock-based compensation	14				(14)	(100)%
Total cost of revenue	\$ 14,049	\$ 6,434	\$ 11,767	\$ 18,201	\$ 4,152	30%

Percentage of total revenue 23% 33% 33% 33%

Software Licenses. Cost of software licenses consists principally of fees associated with integrating third party technology into our *Professional* and *Dimensions* distributed systems products and, to a lesser extent, salaries, bonuses and other costs associated with our product release organization. Cost of software licenses as a percentage of total software licenses revenue was 5% in the three months ended April 30, 2006, as compared to 3% in the same period a year ago. The increase in absolute dollars and as a percentage of total software licenses revenue is primarily due to increases in distributed systems licenses containing fees associated with integrating third party technology.

Maintenance. Cost of maintenance consists primarily of salaries, bonuses and other costs associated with our customer support organizations. Cost of maintenance as a percentage of total maintenance revenue was 10% in both the three months ended April 30, 2006, and in the same period a year ago. In absolute dollar terms, the decrease in cost of maintenance is primarily attributable to decreases in expenses associated with our customer support organization as a result of the cost synergies associated with the growth in both maintenance revenue and our installed customer base; all partially offset by an increase in stock-based compensation costs as a result of adopting SFAS 123R at the beginning of fiscal year 2007.

Professional Services. Cost of professional services consists of salaries, bonuses and other costs associated with supporting our professional services organization. Cost of professional services as a percentage of total professional services revenue was 93% in the three months ended April 30, 2006, as compared to 95% in the same period a year ago. The increase in cost of professional services in absolute dollars is predominantly due to increases in expenses associated with our professional services organization to support higher professional services revenue and an increase in stock-based compensation costs as a result of adopting SFAS 123R at the beginning of fiscal year 2007. As a percentage of total professional services revenue, the margin improvement in the three months ended April 30, 2006, when compared to the same period a year ago, is the result of the rate of growth in costs associated with our professional services organizations being less than the rate of growth in professional services revenue.

As a percentage of total professional services revenue, the margin improvement in the three months ended April 30, 2006, when compared to the same period a year ago, is the result of the rate of growth in costs associated with our professional services organizations being less than the rate of growth in professional services revenue.

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Amortization of Acquired Technology. In connection with the merger in March 2006 and a small technology acquisition also in March 2006, we have recorded \$171.8 million in acquired technology, offset by amortization totaling \$4.9 million in the three months ended April 30, 2006. We expect to record \$8.3 million per quarter in amortization expense over the remaining three quarters of fiscal year 2007 and quarterly thereafter for approximately the following four fiscal years. See Notes 2 and 6 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional information related to amortization of acquired technology and the merger with Spyglass Merger Corp.

Operating Expenses

The following table summarizes operating expenses for the periods indicated:

	Predecessor		Successor		Aggregate	
	Three Months Ended April 30, 2005	For the Period From February 1, 2006 to March 9, 2006	For the Period From March 10, 2006 to April 30, 2006	Three Months Ended April 30, 2006	Increase (Decrease) In Dollars In %	
(dollars in thousands)						
Operating expenses:						
Sales and marketing	\$ 17,778	\$ 6,520	\$ 10,042	\$ 16,562	\$ (1,216)	(7)%
Research and development	8,856	3,555	5,110	8,665	(191)	(2)%
General and administrative	4,630	1,806	3,652	5,458	828	18%
Stock-based compensation	215				(215)	(100)%
Amortization of intangible assets	2,814	1,098	5,172	6,270	3,456	123%
Acquired in-process research and development			4,100	4,100	4,100	(*)
Restructuring, acquisition & other charges		41,916	106	42,022	42,022	(*)
Total operating expenses	\$ 34,293	\$ 54,895	\$ 28,182	\$ 83,077	\$ 48,784	142%
Percentage of total revenue	56%	277%	81%	152%		

(*) Percentage is not meaningful

Sales and Marketing. Sales and marketing expenses consist primarily of salaries, commissions and bonuses, payroll taxes, and employee benefits as well as travel, entertainment and marketing expenses. Sales and marketing expenses as a percentage of total revenue were 30% in the three months ended April 30, 2006, as compared to 29% in the same period a year ago. Sales and Marketing expenses increased as a percentage of total revenue as a result of the increases in stock-based compensation expense associated with the adoption of SFAS 123R in the three months ended April 30, 2006, salaries, benefits, and other employee related expenses and due to the rate of growth in sales and marketing expenses being greater than the rate of growth in total revenue. In absolute dollar terms, we expect sales and marketing expenses to increase as we continue to hire additional sales and marketing personnel, market our distributed systems products and undertake additional marketing programs.

Research and Development. Research and development expenses consist primarily of salaries, bonuses, payroll taxes, and employee benefits and costs attributable to research and development activities. Research and development expenses as a percentage of total revenue were 16% in the three months ended April 30, 2006, as compared to 14% in the same period a year ago. The decrease in research and development expenses in absolute dollars is primarily attributable to cost synergies realized through outsourcing and off-shoring offset by the increase in stock-based compensation expense associated with the adoption of SFAS 123R in the three months ended April 30, 2006. As a percentage of total revenue, research and development expenses increased in the three months ended April 30, 2006, when compared to the same period a year ago, as a result of the rate of growth in revenue being less than the rate of growth in costs associated with our research and development activities. We

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expect research and development expenses to increase, both in absolute dollar terms and as a percentage of total revenue, as we continue to hire additional research and development personnel primarily to develop our distributed systems product suite.

General and Administrative. General and administrative expenses consist primarily of salaries, bonuses, payroll taxes, and benefits and certain non-allocable administrative costs, including legal and accounting fees and bad debts. General and administrative expenses as a percentage of total revenue were 10% in the three months ended April 30, 2006, as compared to 8% in the same period a year ago. The increase in general and administrative expenses as a percentage of total revenue is primarily due to stock-based compensation expense associated with the adoption of SFAS 123R in the three months ended April 30, 2006. We expect general and administrative expenses to decrease in absolute dollar terms as we will not be required to comply with certain regulatory requirements or perform investor relations functions applicable to publicly-held companies.

Amortization of Intangible Assets. In connection with the merger, we recorded \$290.4 million in identifiable intangible assets, offset by amortization totaling \$5.2 million in the three months ended April 30, 2006. We expect to record \$9.1 million per quarter in amortization expense over the remaining three quarters of fiscal year 2007 and quarterly thereafter for approximately the following seven fiscal years.

Acquired In-Process Research and Development. In connection with the merger, we recognized a charge in the three months ended April 30, 2005 of \$4.1 million for acquired in-process research and development. See Note 3 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional information related to the acquired in-process research and development charge.

Restructuring, acquisition and other charges. In connection with the merger we have incurred and expect to incur transaction, restructuring, acquisition and other charges related to the merger that are not part of ongoing operations. Such charges included certain employee payroll, severance and other employee related costs associated with transitional activities that are not part of ongoing operations, and travel and other direct costs associated with the merger. See Note 5 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional information related to the restructuring, acquisition and other charges.

Interest Income, Interest Expense and Amortization of Debt Issuance Costs

The following table summarizes other income (expense) for the periods indicated:

	Predecessor		Successor		Aggregate	
	Three Months Ended April 30, 2005	For the Period From February 1, 2006 to March 9, 2006	For the Period From March 10, 2006 to April 30, 2006	Three Months Ended April 30, 2006	Increase (Decrease) In Dollars In %	
(dollars in thousands)						
Other income (expense):						
Interest income	\$ 1,112	\$ 856	\$ 1,587	\$ 2,443	\$ 1,331	(120)%
Interest expense	(825)	(355)	(7,365)	(7,720)	(6,895)	(*)
Amortization of debt issuance costs	(335)	(1,931)	(282)	(2,213)	(1,878)	(*)
Total other income (expense)	\$ (48)	\$ (1,430)	\$ (6,060)	\$ (7,490)	\$ (7,442)	(*)
Percentage of total revenue		%	(8)%	(17)%	(13)%	

(*) Percentage is not meaningful

Interest Income. For the three months ended April 30, 2006, when compared to the same period a year ago, the dollar increase in interest income is predominantly due to increases in balances on interest-bearing accounts as a result of the borrowings associated with the merger and higher yields.

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Interest Expense. For the three months ended April 30, 2006, when compared to the same period a year ago, the dollar increase in interest expense is predominantly due to the debt associated with the merger which accrued interest as of March 10, 2006. In addition, on December 15, 2003, we issued convertible subordinated notes and we record interest expense in connection with such notes for the each fiscal quarter of \$825,000. Upon consummation of the merger in March 2006, no interest expense associated with our convertible subordinated notes was recorded in the three months ended April 30, 2006, since such notes have been or will be converted to equity as part of the merger and therefore all interest would have been forfeited. See Notes 2 and 9 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional information related to the merger with Spyglass Merger Corp. and related debt.

Amortization of Debt Issuance Costs. In connection with the merger, we recorded \$16.1 million in debt issuance costs, offset by amortization totaling \$2.2 million for the three months ended April 30, 2006. We expect to record \$0.4 million per quarter in amortization expense over the remaining three quarters of fiscal year 2007 and quarterly thereafter for approximately the following seven fiscal years.

Income Taxes

Income Taxes. The Company recorded an income tax benefit of \$11.8 million in the three months ended April 30, 2006, as compared to \$4.8 million in income tax expense in the same period a year ago. Our effective income tax rate for fiscal year 2007 is 28%, and excluding the impact of the one-time in-process research and development charge of \$4.1 million and related acquisition expenses taken in the three months ended April 30, 2006, would have been an income tax rate benefit of 40%. Our effective income tax rate for fiscal year 2006 was 53%, and excluding the impact of the one-time in-process research and development charge of \$10.4 million taken in the three months ended April 30, 2004, would have been 35%. Our effective income tax rate has historically benefited from the U.S. research and experimentation tax credit and tax benefits generated from export sales made from the United States.

Comparison of Fiscal Years Ended January 31, 2004, 2005 and 2006*Revenue*

Our total revenue was \$105.6 million, \$208.1 million and \$255.8 million in fiscal year 2004, 2005 and 2006, respectively, representing increases of 97% from fiscal year 2004 to 2005 and 23% from fiscal year 2005 to 2006.

The following table summarizes software licenses, maintenance and professional services revenues for the periods indicated:

	Predecessor			Fiscal Year		Fiscal Year	
				2005 vs. 2004		2006 vs. 2005	
	Fiscal Years Ended January 31,			Increase		Increase	
	2004	2005	2006	In Dollars	In %	In Dollars	In %
	(dollars in thousands)						
Revenue:							
Software licenses	\$ 45,469	\$ 85,350	\$ 90,554	\$ 39,881	88%	\$ 5,204	6%
Maintenance	51,050	98,558	136,009	47,508	93%	37,451	38%
Professional services	9,037	24,197	29,209	15,160	168%	5,012	21%
Total revenue	\$ 105,556	\$ 208,105	\$ 255,772	\$ 102,549	97%	\$ 47,667	23%

Software Licenses. Software licenses revenue was \$45.5 million, \$85.4 million and \$90.6 million in fiscal year 2004, 2005 and 2006, representing 43%, 41% and 35% of total revenue, respectively. Software licenses revenue increased \$39.9 million, or 88%, from fiscal year 2004 to 2005 and \$5.2 million, or 6%, from fiscal year 2005 to 2006. The increase in fiscal year 2005, when compared to fiscal year 2004, consists of increases in our distributed systems license revenue totaling approximately \$41.3 million and increases in our *StarTool* family of

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products totaling approximately \$1.5 million; all partially offset by decreases in our *ChangeMan* mainframe license revenue totaling approximately \$2.9 million. The \$41.3 million increase in our distributed systems license revenue was in large part the result of our acquisitions of Merant and TeamShare. The increase in fiscal year 2006, when compared to fiscal year 2005, consists of continued increases in our distributed systems revenue, for the most part coming from sales of Merant products after the Merant acquisition late in the first quarter of fiscal year 2005, and, to a lesser extent, sales of *RTM* and *TeamTrack* coming from our Integrated Chipware acquisition in the second quarter of fiscal year 2005 and our TeamShare acquisition in the second quarter of fiscal year 2004. In particular, our core SCM products continue to make up a significant portion of our total software license revenue. Combined, they accounted for \$31.2 million, \$69.6 million and \$77.3 million in fiscal year 2004, 2005 and 2006, representing 69%, 81% and 85% of total software license revenue, respectively. Distributed systems products accounted for \$60.7 million, or 67%, of total software licenses revenue in fiscal year 2006 as compared to \$54.4 million, or 64%, and \$13.1 million, or 29%, in fiscal year 2005 and 2004, respectively. We expect that *ChangeMan DS*, *Dimensions* and *Professional* and *TeamTrack* family of products will continue to account for a substantial portion of software licenses revenue in the future. We may experience slower growth in license revenue in the future.

Maintenance. Maintenance revenue was \$51.1 million, \$98.6 million and \$