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

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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	**7372**	**94-2669809**
(State or other jurisdiction of incorporation)	**(Primary Standard Industrial Classification Code Number)**	**(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. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
10 3/8% Senior Subordinated Notes due 2016	$ 200,000,000	100%	$ 200,000,000	$ 21,400

(1) Estimated solely for the purpose of calculating the registration fee under Rule 457(f) of the Securities Act of 1933, as amended.

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 APRIL 28, 2006

PRELIMINARY PROSPECTUS

Serena Software, Inc.

Offer to Exchange

$200,000,000 principal amount of its 10 3/8% Senior Subordinated Notes due 2016, which have been registered under the Securities Act of 1933, for any and all of its outstanding 10 3/8% 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

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 15 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.

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 amortize 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 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 $20.7 million, on a pre-tax basis. 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 10 $^{3}/8$% 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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	tenders its outstanding notes in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of exchange notes
	cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co. Incorporated* (available June 5, 1991) and *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC s letter to *Shearman & Sterling*, dated available July 2, 1993, or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.
Expiration date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2006, unless extended by us. We do not currently intend to extend the expiration of the exchange offer.
Withdrawal	You may withdraw the tender of your outstanding notes at any time prior to the expiration of the exchange offer. We will return to you any of your outstanding notes that are not accepted for any reason for exchange, without expense to you, promptly after the expiration or termination of the exchange offer.
Conditions to the exchange offer	The exchange offer is subject to customary conditions, which we may waive. See The Exchange Offer Conditions to the Exchange Offer.
Procedures for tendering outstanding notes	If you wish to participate in the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, or a facsimile of the letter of transmittal, together with the outstanding notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal.
	If you hold outstanding notes through The Depository Trust Company, or DTC, and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC by which you will agree to be bound by the letter of transmittal.
	If you are a beneficial owner whose outstanding notes are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee and you wish to tender your outstanding notes, you should promptly contact the registered holder and instruct the registered holder to tender on your behalf. If you wish to tender the outstanding notes yourself, you must, prior to completing and executing the letter of transmittal and delivering your outstanding

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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 Exchange Notes

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 *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.
Ranking	The notes will be our unsecured, senior subordinated obligations and will:

- be subordinated in right of payment to our existing and future senior debt, including under our senior secured credit agreement;
- rank equally in right of payment to all of our future senior subordinated debt;
- 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
- 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

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 years indicated. The historical data as of and for the fiscal years ended January 31, 2004, 2005 and 2006 have been derived from Serena s historical consolidated financial statements included elsewhere in this prospectus, which have been audited by KPMG LLP.

The summary unaudited *pro forma* consolidated financial data for the fiscal year ended January 31, 2006 have been prepared to give effect to the acquisition transactions as if they had occurred on February 1, 2005, in the case of the summary unaudited *pro forma* consolidated statement of operations data, statement of cash flows data and other financial data, and on January 31, 2006, in the case of the summary unaudited *pro forma* balance sheet data. 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.

	Year Ended January 31,			Pro Forma Year Ended January 31,
	2004	2005	2006	2006
		(in thousands)		
Consolidated Statement of Operations Data:				
Revenue:				
Software licenses	$ 45,469	$ 85,350	$ 90,554	$ 90,554
Maintenance	51,050	98,558	136,009	136,009
Professional services	9,037	24,197	29,209	29,209
Total revenue	105,556	208,105	255,772	255,772
Cost of revenue:				
Software licenses	668	3,149	3,211	3,211
Maintenance	6,378	11,420	13,208	13,208
Professional services	8,730	21,466	26,609	26,609
Amortization of acquired technology	6,513	14,051	16,921	30,180
Stock-based compensation		44	36	
Total cost of revenue	22,289	50,130	59,985	73,208
Gross profit	83,267	157,975	195,787	182,564
Operating expenses:				
Sales and marketing	29,158	64,343	73,880	73,880
Research and development	14,025	31,043	34,534	34,534
General and administrative	7,342	18,587	17,587	17,587
Stock-based compensation		686	1,741	
Amortization of intangible assets	2,032	9,608	10,516	32,555
Acquired in-process research and development(1)		10,400		
Restructuring, acquisition and other charges(1)		2,351	6,462	
Total operating expenses	52,557	137,018	144,720	158,556
Operating income:	30,710	20,957	51,067	24,008
Interest income	3,399	3,868	6,203	2,484
Interest expense	(413)	(3,300)	(3,300)	(52,107)
Amortization of debt issuance costs	(42)	(1,466)	(1,340)	(2,599)
Income (loss) before income taxes	33,654	20,059	52,630	(28,214)
Income tax expense (benefit)	12,303	10,573	17,363	(14,975)
Net income (loss)	$ 21,351	$ 9,486	$ 35,267	$ (13,239)

(footnotes on following pages)

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	Year Ended January 31,			Pro Forma Year Ended January 31,
	2004	2005	2006	2006
	(in thousands, except for ratios)			
Statement of Cash Flows Data(2):				
Net cash provided by (used in):				
Operating activities	$ 34,438	$ 63,171	$ 84,055	$ 52,232
Investing activities	(44,881)	(151,942)	(29,714)	(610,771)
Financing activities	162,362	(30,634)	(39,740)	596,190
Other Financial Data:				
EBITDA(3)	40,845	48,117	83,080	89,542
Depreciation and amortization	10,135	27,160	32,013	65,534
Capital expenditures, net(4)	1,199	1,970	3,039	3,039
Ratio of earnings to fixed charges(5)	35.0x	4.2x	9.5x	
Consolidated Balance Sheet Data:				
Cash, cash equivalents and short-term investments	296,495	150,108	209,238	124,181
Working capital	278,178	90,877	151,393	6,779
Total assets	473,661	695,119	671,610	1,422,463
Total debt	220,000	220,000	220,000	665,441
Total stockholders equity	195,278	297,616	301,008	477,852

(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 reflects the purchase price of the acquisition transactions totaling approximately $1,276.7 million, net of equity and cash contributed totaling approximately $510.3 million and $101.0 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 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.

(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

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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.

	Year Ended January 31,			Pro Forma Year Ended January 31,
	2004	2005	2006	2006
	(in thousands)			
Net income (loss)(a)	$ 21,351	$ 9,486	$ 35,267	$ (13,239)
Interest (income) expense, net	(2,944)	898	(1,563)	52,222
Income tax expense (benefit)	12,303	10,573	17,363	(14,975)
Depreciation and amortization expense(b)	10,135	27,160	32,013	65,534
EBITDA	$ 40,845	$ 48,117	$ 83,080	$ 89,542

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(a) *Pro forma* net income for the fiscal year ended January 31, 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.

(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). 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 $28.2 million for the fiscal year ended January 31, 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.

On a *pro forma* basis as of January 31, 2006, our total indebtedness would have been $665.4 million, including the outstanding notes. We also would have 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;

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 would have been $52.1 million. At January 31, 2006, on a *pro forma* basis, we would have 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 by $2.0 million.

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 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 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. 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;
- longer payment cycles;

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- 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.

We may incur future impairment losses related to intangible assets that could harm our future operating results.

If the assets and businesses we have acquired in the past or may acquire in the future do not perform as expected, we may be required to take impairment charges related to the intangible assets from these acquisitions. Such charges could harm our operating results.

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.

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 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 auditors 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 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. On a *pro forma* basis after giving effect to the acquisition transactions, as of January 31, 2006, we would have had approximately $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.

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.

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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 January 31, 2006, on a *pro forma* basis after giving effect to the acquisition transactions, we would have had $400.0 million of senior secured indebtedness, all of which would have been indebtedness under our senior secured credit agreement and which would not have included 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 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 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.

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 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;

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;

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- 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 of convertible subordinated notes that remained outstanding on March 25, 2006 (the last day on which holders could convert such notes into cash in connection with the merger) will continue to accrue interest in accordance with their terms. Under the terms of the indenture governing the convertible subordinated notes, the holders of the outstanding convertible subordinated notes have the right to require us to offer to repurchase such notes at 100% of their principal amount plus accrued interest. We expect to repurchase any such notes requested to be purchased on or before May 19, 2006.

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Management Investment. As described in greater detail in Management and Related Party Transactions Agreements Related to the Merger Management Agreements, Mark Woodward, our President 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 $20.7 million.

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.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and total capitalization as of January 31, 2006, on a historical basis and on a *pro forma* basis after giving effect to the acquisition transactions. The information in this table should be read in conjunction with The Merger and the Acquisition Transactions, 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 the financial statements included elsewhere in this prospectus.

	As of January 31, 2006	
	Historical	Pro Forma
	(in millions)	
Cash and cash equivalents, short-term restricted cash and short and long-term investments(1)	$ 226.1	$ 125.2
Debt:		
Senior secured credit agreement(2):		
Revolving credit facility	$	$
Term loan		400.0
Senior subordinated notes		200.0
Convertible subordinated notes(3)	220.0	65.4
Total debt	220.0	665.4
Stockholders equity(4)(5)	301.0	477.9
Total capitalization	$ 521.0	$ 1,143.3

(1) As of January 31, 2006 on a historical basis, we had $226.1 million of cash and cash equivalents, short-term restricted cash and short and long-term investments without giving effect to the acquisition transactions.

(2) 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. We had not borrowed amounts under the revolving credit facility upon closing of the acquisition transactions.

(3) 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 such 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 remained outstanding on March 25, 2006, the last day on which holders could convert such notes into cash in connection with the merger. Under the terms of the indenture governing the convertible subordinated notes, the holders of the outstanding convertible subordinated notes have the right to require us to offer to repurchase such notes at 100% of their principal amount plus accrued interest. We expect to repurchase any such notes requested to be purchased on or before May 19, 2006.

(4) Prior to the consummation of the acquisition transactions, Serena had no outstanding preferred stock. Following the consummation of the acquisition transactions, 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.

(5) *Pro forma* stockholders equity includes charges that were expensed upon the consummation of the merger and therefore are reflected in *pro forma* beginning equity. Such charges include in-process research and development, stock-based compensation expense from the acceleration of unvested stock options and unvested restricted stock, and Serena transaction costs totaling $2.8 million, $17.8 million and $11.8 million, respectively. Excluding these charges, *pro forma* stockholders equity would be $510.3 million.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited *pro forma* condensed consolidated financial statements have been developed by applying *pro forma* adjustments to the historical audited consolidated financial statements 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. The unaudited *pro forma* condensed consolidated balance sheet gives effect to the acquisition transactions as if they had occurred on January 31, 2006. For purposes of these unaudited *pro forma* condensed consolidated financial statements, we have assumed that the Serena convertible subordinated notes that were converted prior to March 25, 2006, the last day on which holders could convert such notes in connection with the merger, 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. 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 financial statements.

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 the dates indicated and they do not purport to project our results of operations or financial condition for any future period or as of any future date. The unaudited *pro forma* condensed consolidated financial statements 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 financial statements.

The merger will be 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 will be recorded at fair value, which will generally result 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 will reflect 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. The *pro forma* information presented, including allocations of purchase price, is based on preliminary estimates of the fair values of assets acquired and liabilities assumed, available information and assumptions, and will be revised as additional information becomes available. The actual adjustments to our consolidated financial statements upon the closing of the acquisition transactions are dependent on a number of factors, including our net assets on the closing date of the acquisition transactions. Therefore, the actual adjustments will differ from the *pro forma* adjustments, and the differences may be material.

The final purchase price allocation related to the merger is dependent on, among other things, the finalization of asset and liability valuations. As of the date of this prospectus, we have not completed the valuation studies necessary to estimate the fair values of the assets we acquired and liabilities we assumed and the related allocation of purchase price. We have allocated the total estimated purchase price, calculated as described in Note (b) under Notes to the Unaudited Pro Forma Condensed Consolidated Balance Sheet, to the assets acquired and liabilities assumed based on preliminary estimates of their fair values. A final determination of these fair values will reflect our consideration of a final valuation prepared, in part, by third-party appraisers. This final valuation will be based on the actual net tangible and intangible assets that existed as of the closing date of the acquisition transactions. Any final adjustment will change the allocations of purchase price, which could affect the fair value assigned to the assets and liabilities and could result in a change to the unaudited *pro forma* condensed consolidated financial statements, including a change to goodwill.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF JANUARY 31, 2006

	Historical Serena	Adjustments for Acquisition Transactions (in thousands)	Pro Forma Serena
Assets			
Current assets:			
Cash and cash equivalents	$ 148,401	$ (24,220)(a)	$ 124,181
Restricted cash	3,260	(2,278)(a)	982
Short-term investments	60,837	(60,837)(a)	
Accounts receivable, net of allowance of $2,224 at January 31, 2006	35,464		35,464
Deferred taxes, net	8,658		8,658
Prepaid expenses and other current assets	4,838	1,259(b)(c)	6,097
Total current assets	261,458	(86,076)	175,382
Long-term investments	13,626	(13,626)(a)	
Property and equipment, net	5,927		5,927
Goodwill	300,551	515,505(b)	816,056
Other intangible assets, net	87,359	321,941(b)	409,300
Other assets	2,689	13,109(b)(c)	15,798
Total assets	$ 671,610	$ 750,853	$ 1,422,463
Liabilities and Stockholders Equity			
Current liabilities:			
Short term debt and current portion of long term debt	$	$ 57,143(a)	$ 57,143
Revolving credit facility			
Accounts payable	2,551		2,551
Income taxes payable	13,961		13,961
Accrued expenses	25,835	11,858(b)(d)	37,693
Accrued interest on convertible subordinated notes	413	(290)(b)	123
Deferred revenue	67,305	(10,173)(b)	57,132
Total current liabilities	110,065	58,538	168,603
Deferred revenue, net of current portion	10,608	(1,603)(b)	9,005
Long-term liabilities	1,953		1,953
Deferred taxes	27,976	128,776(b)	156,752
Term loan		342,857(a)	342,857
Senior subordinated notes		200,000(a)	200,000
Convertible subordinated notes	220,000	(154,559)(a)(b)	65,441
Total liabilities	370,602	574,009	944,611
Total stockholders equity	301,008	176,844(d)	477,852
Total liabilities and stockholders equity	$ 671,610	$ 750,853	$ 1,422,463

See Accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Balance Sheet

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NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

(a) Reflects the sources and uses of cash and cash equivalents, short-term restricted cash and short and long-term investments for the acquisition transactions as follows:

	(in thousands)
Sources:	
Revolving credit facility(1)	$
Term loan(2)	400,000
Senior subordinated notes	200,000
Convertible subordinated notes	65,441
Equity contribution(3)	510,317
Total sources	1,175,758
Uses:	
Purchase price(4)	1,219,426
Estimated fees and expenses(5)	57,293
Total uses	1,276,719
Pro forma net adjustment to cash and cash equivalents, short-term restricted cash and short and long-term investments(6)	$ (100,961)

(1) In connection with the acquisition transactions, we entered into a senior secured credit agreement, which includes a six-year revolving credit facility providing for borrowings of up to $75.0 million. We had not borrowed amounts under the revolving credit facility upon the closing of the acquisition transactions.

(2) In connection with the acquisition transactions, we entered into a senior secured credit agreement, which includes a seven-year $400.0 million term loan. Of this total $400.0 million, $57.1 million represents the current portion of the term loan with the remaining $342.9 million being long-term in nature.

(3) Represents approximately $335.5 million in cash invested in equity securities of Spyglass Merger Corp. by the Silver Lake investors, as well as the exchange by the Troxel investors of equity interests in Serena, which was valued for purposes of this exchange at approximately $154.1 million, for equity interests in the surviving corporation, as well as $20.7 million from management participants.

(4) The holders of outstanding shares of common stock of Serena (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 was entitled to and who properly exercised appraisal rights under Delaware law) received $24.00 in cash per share, without interest, in connection with the merger. As of January 31, 2006, there were approximately 41.1 million shares outstanding, which included the 7.0 million shares issuable in connection with the $154.6 million of Serena convertible subordinated notes and excluded 7.5 million shares to be exchanged for equity securities of the surviving corporation by the Troxel investors at a deemed value of $20.50 per share. The purchase price (i) included the 41.1 million shares at $24.00 per share, (ii) included the 7.5 million shares to be exchanged by the Troxel investors at $20.50 per share, (iii) included the net value of outstanding stock options of approximately $32.1 million, which was calculated based on approximately 5.7 million options with an average exercise price of $18.33 per share, (iv) included payments aggregating $4.1 million in connection with the exercise of options for 0.2 million shares held by the Merant Employee Benefit Trusts, of which approximately $3.1 million was paid to such trusts representing the exercise price for such options of $18.31 per share, and (v) excluded the amount of roll-over equity investments in the surviving corporation made by the management participants, which was approximately $20.7 million, on a pre-tax basis. As of March 10, 2006, immediately before the effective time of the merger, including the 7.0 million shares issuable in connection with the convertible subordinated notes and excluding the 7.5 million shares exchanged by the Troxel investors, we had approximately 41.1 million shares outstanding plus approximately 5.8 million options outstanding with an average exercise price of $18.32 per share.

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(5) Consists of $17.1 million of financing fees, which will be capitalized and amortized over the related terms of the financings, $17.5 million of Serena s transaction costs, which were expensed by Serena prior to or upon consummation of the acquisition transactions and reflected as an adjustment in historical equity, and $22.7 million of direct acquisition costs.

(6) Reflects the *pro forma* net reduction of cash, the transfer of short and long-term investments and restricted cash to cash and cash equivalents as of the consummation of the merger. Details are as follows:

	(in thousands)
Pro forma net reduction of cash and cash equivalents, short-term restricted cash and short and long-term investments	$ (100,961)
Restricted cash, current portion	2,278
Short-term investments	60,837
Long-term investments	13,626
Total *pro forma* adjustment to cash	$ (24,220)

(b) The following table sets forth the calculation and adjustments made related to the preliminary allocation of purchase price with respect to the acquisition transactions:

		(in thousands)
Purchase price(1)		$ 1,219,426
Transaction fees and expenses directly related to the transaction(2)		22,700
Total		1,242,126
Net assets acquired before adjustment	$ 301,008	
Charges expensed prior to or upon consummation of the merger(3):		
Serena transaction costs	(17,518)	
Convertible subordinated notes	65,441	
In-process research and development	2,800	
Stock-based compensation expense	17,807	
Adjusted net assets acquired		369,538
Estimated purchase price in excess of net assets acquired		872,588
Adjustments to net assets and liabilities acquired:		
Identifiable intangible assets(4)	321,941	
Other(5)	163,919	
Subtotal	485,860	
Deferred income taxes(6)	(128,776)	
Preliminary adjustments to net assets acquired		357,083
Pro forma adjustment to goodwill(4)		$ 515,505

(1) Represents total merger consideration of $1,219.4 million, excluding $20.7 million, on a pre-tax basis, of equity interests in the surviving corporation issued to the management participants. See (a)(3) above.

(2) Represents estimated expenses related primarily to legal, accounting, investment banking fees and fees paid to Silver Lake or its affiliates.

(3) The Serena transaction costs of $17.5 million were expensed by Serena prior to or upon the consummation of the merger. This amount was recorded as a liability prior to payment at closing and thereby reduced the net assets acquired at the effective time of the

merger. Convertible subordinated notes totaling $65.4 million were not converted in the acquisition transactions and were therefore a source of proceeds toward the merger consideration. Accordingly, these notes were not part of the net assets acquired. In-process research and development totaling $2.8 million and stock-based compensation expense associated with the acceleration of unvested stock options and unvested

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restricted stock totaling $17.8 million was expensed by Serena prior to or upon consummation of the merger. These amounts were reflected in the beginning *pro forma* stockholders equity at closing and were added back to net assets acquired at the effective time of the merger.

(4) These unaudited *pro forma* condensed consolidated financial statements reflect a preliminary allocation to tangible assets, liabilities, goodwill and other intangible assets. An appraisal will be performed to assist management in determining the fair value of acquired assets and liabilities, including identifiable intangible assets. The final purchase price allocation may result in a materially different allocation for tangible and intangible assets than that presented in these unaudited *pro forma* condensed consolidated financial statements. An increase or decrease in the amount of purchase price allocated to amortizable assets would impact the amount of annual amortization expense. (See Note (a) under Notes to the Unaudited Pro Forma Consolidated Statements of Operations below). For purposes of these *pro forma* condensed consolidated financial statements, preliminary fair values and useful lives have been estimated based on our experience with acquired businesses and their related valuations and purchase price allocations. These estimates follow:

	Estimated Average Useful Lives	**Estimated Fair Value**	**Historical Cost**	**Purchase Accounting Adjustment**
		(dollars in thousands)		
Non-compete agreements, net		$	$ 6,008	$ (6,008)
Acquired technologies, net	5 years	150,900	45,119	105,781
Maintenance service contracts, net	8 years	244,100	35,495	208,605
Trademark/tradename portfolio, net	7 years	14,300	458	13,842
Customer relationships, net			279	(279)
Total identifiable intangible assets				$ 321,941

Goodwill is not amortized and will be evaluated for impairment on at least an annual basis. In addition, there may be other fair value adjustments that we have not yet estimated. Estimated in-process research and development write-off of $2.8 million is not reflected in the *pro forma* condensed consolidated statements of operations as it is non-recurring, however it has been included in the calculation of goodwill. The fair value of unvested restricted stock assumed upon the consummation of the merger totaling $4.6 million is also not reflected in the beginning *pro forma* stockholders equity, as this amount will be a component of stock-based compensation in future periods.

(5) Reflects the conversion of $154.6 million of Serena s convertible subordinated notes and the elimination of both current and long-term deferred financing costs associated with those notes to which no value will be allocated in purchase accounting. Also reflects the writedown of deferred revenue to fair value as part of purchase accounting. Details are as follows:

	(in thousands)
Convertible subordinated notes converted in connection with the merger, including unpaid interest	$ 154,849
Elimination of current debt financing costs associated with such convertible subordinated notes	(941)
Writedown of current portion of deferred revenue	10,173
Elimination of long-term debt financing costs associated with such convertible subordinated notes	(1,765)
Writedown of long-term portion of deferred revenue	1,603
Total equity contribution	$ 163,919

(6)

Reflects the estimated impact on deferred tax liabilities related to the $321.9 million in purchase accounting adjustments, excluding goodwill, calculated at a 40% marginal tax rate.

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(c) Reflects the capitalization of $17.1 million of financing costs that we incurred in connection with the senior secured credit agreement and the offering of the senior subordinated notes. Of the total $17.1 million, the current portion is $2.2 million and the remaining $14.9 million is long-term in nature. Also reflects the elimination of both current and long-term deferred financing costs associated with the convertible subordinated notes converted in connection with the merger, described in (b)(5) above. See note (b) under Notes to the Unaudited Pro Forma Condensed Consolidated Statements of Operations below.

(d) Adjustment to stockholders equity consists of the following:

		(in thousands)
Silver Lake investors cash equity contribution		$ 335,500
Troxel investors and management participants equity contribution		174,817
Total equity contribution		510,317
Less historical equity		(301,008)
Less: Adjustments to beginning equity:		
Charges expensed upon consummation of the merger (see (b)(3) above):		
Serena transaction costs	$ (11,858)	
In-process research and development	(2,800)	
Stock-based compensation expense	(17,807)	
		(32,465)
Net adjustment to stockholders equity		$ 176,844

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE FISCAL YEAR ENDED JANUARY 31, 2006

	Historical Serena	Adjustments for Acquisition Transactions	Pro Forma Serena
		(in thousands)	
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	13,259(a)	30,180
Stock-based compensation	36	(36)(c)	
Total cost of revenue	59,985		73,208
Gross profit	195,787		182,564
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	22,039(a)	32,555
Restructuring, acquisition and other charges	6,462	(6,462)(c)	
Total operating expenses	144,720		158,556
Operating income	51,067		24,008
Interest income	6,203	(3,719)(b)	2,484
Interest expense	(3,300)	(48,807)(b)	(52,107)
Amortization of debt issuance costs	(1,340)	(1,259)(b)	(2,599)
Income (loss) before income taxes	52,630		(28,214)
Income tax expenses (benefit)	17,363	(32,338)(d)	(14,975)
Net income (loss)	$ 35,267	$ (48,506)(e)(f)	$ (13,239)

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 preliminary estimates of fair values and useful lives of software products and customer base (see Note (b) under Notes to the Unaudited Pro Forma Condensed Consolidated Balance Sheet above).

These unaudited *pro forma* condensed consolidated financial statements reflect a preliminary allocation to tangible assets, liabilities, goodwill and other intangible assets. The final purchase price allocation may result in a materially different allocation for tangible and intangible assets than that presented in these unaudited *pro forma* condensed consolidated financial statements. An increase or decrease in the amount of purchase price allocated to amortizable assets would impact the amount of annual amortization expense. Identifiable intangible assets have been amortized on a straight-line basis in the unaudited *pro forma* condensed consolidated statements of operations.

(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
Convertible subordinated notes(4)		982
Bank commitment fees(5)		375
Total *pro forma* cash interest expense		52,107
Less historical interest expense		3,300
Net adjustment to interest expense	$	48,807
Amortization of *pro forma* capitalized debt issuance costs(6)	$	2,200
Amortization of debt issuance costs on the $65.4 million convertible notes(6)		399
Less historical capitalized debt amortization		1,340
Net adjustment to capitalized debt amortization	$	1,259
Reduction of interest income due to use of cash to fund purchase price(7)	$	3,719

(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) Reflects interest on the $65.4 million of convertible subordinated notes that were not converted by March 25, 2006, the last day on which such notes could be converted in connection with the merger, at an interest rate of 1.5%.

(5) Represents annual commitment fee of 0.5% on the assumed $75.0 million undrawn balance of the revolving credit facility.

(6) Represents debt issuance costs totaling $2.2 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

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issuance costs on the $65.4 million convertible notes which were not converted in the acquisition transactions.

(7) Represents reduced interest income, assuming a 2% interest rate, after the use of $101.0 million of cash to fund the purchase price.

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 thousand 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 40%.

(e) Net income does not include the effects of the following non-recurring items: $17.8 million of stock-based compensation expense from the acceleration of unvested stock options and unvested restricted stock resulting from the acquisition transactions, $11.8 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 $2.8 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 $11.8 million has however been included in determining the amount of goodwill in the pro forma balance sheet at January 31, 2006.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth selected historical consolidated financial data of Serena as of the dates and for the years 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 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.

	Fiscal Year Ended January 31,(1)				
	2002	2003	2004	2005	2006
			(in thousands)		
Consolidated Statement of Operations Data:					
Revenue:					
Software licenses	$ 49,514	$ 44,250	$ 45,469	$ 85,350	$ 90,554
Maintenance	41,812	44,476	51,050	98,558	136,009
Professional services	7,315	7,049	9,037	24,197	29,209
Total revenue	98,641	95,775	105,556	208,105	255,772
Cost of revenue:					
Software licenses	931	1,224	668	3,149	3,211
Maintenance	5,448	5,548	6,378	11,420	13,208
Professional services	6,576	6,519	8,730	21,466	26,609
Amortization of acquired technology	4,324	4,324	6,513	14,051	16,921
Stock-based compensation				44	36
Total cost of revenue	17,279	17,615	22,289	50,130	59,985
Gross profit	81,362	78,160	83,267	157,975	195,787
Operating expenses:					
Sales and marketing	29,357	26,361	29,158	64,343	73,880
Research and development	13,308	11,779	14,025	31,043	34,534
General and administrative	6,618	7,311	7,342	18,587	17,587
Stock-based compensation	135	23		686	1,741
Amortization of intangible assets, including goodwill through fiscal year 2002	4,012	162	2,032	9,608	10,516
Acquired in-process research and development				10,400	
Restructuring, acquisition and other charges	2,529			2,351	6,462
Total operating expenses	55,959	45,636	52,557	137,018	144,720
Operating income	25,403	32,524	30,710	20,957	51,067
Interest income	5,968	4,726	3,399	3,868	6,203
Interest expense			(413)	(3,300)	(3,300)
Amortization of debt issuance costs			(42)	(1,466)	(1,340)
Income before income taxes	31,371	37,250	33,654	20,059	52,630
Income taxes	12,862	14,096	12,303	10,573	17,363
Net income	$ 18,509	$ 23,154	$ 21,351	$ 9,486	$ 35,267

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	As of January 31,(1)				
	2002	2003	2004 (in thousands)	2005	2006
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 132,594	$ 143,074	$ 296,495	$ 150,108	$ 209,238
Working capital	117,378	124,151	278,178	90,877	151,393
Total assets	231,070	264,523	473,661	695,119	671,610
1 1/2% convertible subordinated notes			220,000	220,000	220,000
Total other long-term liabilities	10,295	8,831	13,166	56,753	40,537
Total stockholders equity	184,776	212,962	195,278	297,616	301,008
Statement of Cash Flows Data:					
Net cash provided by (used in):					
Operating Activities	$ 39,207	$ 31,898	$ 34,438	$ 63,171	$ 84,055
Investing Activities	(44,742)	(16,807)	(44,881)	(151,942)	(29,714)
Financing Activities	6,315	4,045	162,362	(30,634)	(39,740)
Other Data:					
Ratio of earnings to fixed charges(2)	58.6x	77.4x	35.0x	4.2x	9.5x

(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) 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).

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

The following discussion covers periods prior 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. 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.

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 remained outstanding on March 25, 2006, the last day on which holders could convert such notes into cash in connection with the merger.

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 January 31, 2006, on a *pro forma* basis, after giving effect to the acquisition transactions, we would have had outstanding

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$665.4 million in aggregate indebtedness, 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. 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 $52.1 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.

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 principally attributable to our European operations. 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 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

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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.

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 transactions.

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 collectibility 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.

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 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 June 2005, the Financial Accounting Standards Board, or FASB, issued SFAS No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20, Accounting Changes, and Statement No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS 154 will require companies to account for and apply changes in accounting principles retrospectively to prior periods financial statements, instead of recording a cumulative effect adjustment within the period of the change, unless it is impracticable to determine the effects of the change to each period being presented. SFAS 154 is effective for accounting changes made in annual periods beginning after December 15, 2005 and, accordingly, we must adopt the new accounting provisions effective February 1, 2006.

In April 2005, the SEC amended the compliance dates for SFAS No. 123R, Share-Based Payment. The new rule allows public companies to implement SFAS No. 123R at the beginning of their next fiscal year that begins after June 15, 2005. We will be required to adopt SFAS No. 123R in the first quarter of fiscal year 2007 and begin to recognize stock-based compensation related to employee equity awards in our consolidated statements of operations using a fair value-based method on a prospective basis. Since we currently account for equity awards granted to our employees using the intrinsic value method under APB No. 25, we expect the adoption of SFAS No. 123R will have a significant adverse impact on our financial position and results of operations.

In December 2004 the FASB issued two FASB Staff Positions, or FSPs, related to the American Jobs Creation Act, or AJCA. FSP No. 109-1, Application of FASB Statement No. 109, Accounting for Income

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Taxes, to the Tax Deduction on Qualified Production Activities provided by the American Jobs Creation Act, requires companies that qualify for a deduction for domestic production activities under the AJCA to account for the deduction as a special deduction under FASB Statement No. 109 and reduce their tax expense in the period or periods the amounts are deductible on the tax return.

FSP No. 109-2, Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004, allows companies additional time to evaluate whether foreign earnings will be repatriated under the repatriation provisions of the AJCA and requires specified disclosures for companies needing the additional time to complete the evaluation. Once a decision is made to repatriate the foreign earnings, companies must reflect the deferred tax liabilities attributable to foreign earnings in the period that the decision is made to remit those earnings.

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.

		Percentage of Revenue Fiscal Year Ended January 31,	
	2004	**2005**	**2006**
Revenue:			
Software licenses	43%	41%	35%
Maintenance	48%	47%	53%
Professional services	9%	12%	12%
Total revenue	100%	100%	100%
Cost of revenue:			
Software licenses	1%	2%	1%
Maintenance	6%	5%	5%
Professional services	8%	10%	10%
Amortization of acquired technology	6%	7%	7%
Total cost of revenue	21%	24%	23%
Gross profit	79%	76%	77%
Operating expenses:			
Sales and marketing	28%	31%	29%
Research and development	13%	15%	13%
General and administrative	7%	9%	7%
Stock-based compensation			1%
Amortization of intangible assets	2%	5%	4%
Acquired in-process research and development		5%	
Restructuring, acquisition and other charges		1%	2%
Total operating expenses	50%	66%	56%
Operating income	29%	10%	21%
Interest income	3%	2%	2%
Interest expense		(1)%	(1)%
Amortization of debt issuance costs		(1)%	(1)%

Income before income taxes	32%	10%	21%
Income taxes	12%	5%	7%
Net income	20%	5%	14%

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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, as applicable.

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:

	Fiscal Years Ended January 31,			Fiscal Year 2005 vs. 2004 Increase		Fiscal Year 2006 vs. 2005 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 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 $136.0 million in fiscal year 2004, 2005 and 2006, representing 48%, 47% and 53% of total revenue, respectively. Maintenance revenue increased $47.5 million, or 93%, from fiscal year 2004 to 2005 and $37.5 million, or 38%, from fiscal year 2005 to 2006. The dollar increases reflect consistent renewal rates and growth in installed software licenses base, as new licenses generally include one year of maintenance, renewals of maintenance agreements by existing customers and, to a lesser extent, maintenance price increases; all partially offset by some cancellations in mainframe tool

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maintenance contracts. The year-over-year increase was due to our acquisition of Merant in the first quarter of fiscal year 2005 and, to a lesser extent, growth in our installed software license base (as new licenses generally include one year of maintenance), renewals of maintenance agreements with existing customers and maintenance price increases, all partially offset by some cancellations of maintenance contracts. We expect maintenance revenue to grow slightly in absolute dollars in the near term.

Professional Services. Professional services revenue was $9.0 million, $24.2 million and $29.2 million in fiscal year 2004, 2005 and 2006, representing 9%, 12% and 11% of total revenue, respectively. Professional services revenue increased $15.2 million, or 168%, from fiscal year 2004 to 2005 and $5.0 million, or 21%, from fiscal year 2005 to 2006. The year-over-year absolute and percentage increases were due in large part to our acquisition of Merant together with 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; all partially offset by price pressures on consulting rates, and the deferral of existing consulting projects. We expect professional services revenue to remain relatively constant as a percentage of total revenue in the near term.

Cost of Revenue

Cost of revenue, which consists of cost of software licenses, cost of maintenance, cost of professional services and amortization of acquired technology was $22.3 million, $50.1 million and $60.0 million in fiscal year 2004, 2005 and 2006, representing 21%, 24% and 23% of total revenue, respectively. Cost of revenue increased $27.8 million, or 125%, from fiscal year 2004 to 2005 and $9.9 million, or 20%, from fiscal year 2005 to 2006. As a percentage of total revenue, the cost of revenue increase from fiscal year 2004 to fiscal year 2005 is due principally to an increase in amortization of acquired technology resulting from our acquisitions of TeamShare, Merant and the *RTM* product, and, to a lesser extent, is due to higher third party software license royalties, all partially offset by margin improvement in professional services. Cost of revenue decreased from fiscal year 2005 to fiscal year 2006 as a percentage of total revenue, due principally to decreases in stock-based compensation and margin improvement in maintenance.

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

	Fiscal Years Ended January 31,			Fiscal Year 2005 vs. 2004 Increase (Decrease)		Fiscal Year 2006 vs. 2005 Increase (Decrease)	
	2004	2005	2006	In Dollars	In %	In Dollars	In %
	(dollars in thousands)						
Cost of revenue:							
Software licenses	$ 668	$ 3,149	$ 3,211	$ 2,481	371%	$ 62	2%
Maintenance	6,378	11,420	13,208	5,042	79%	1,788	16%
Professional services	8,730	21,466	26,609	12,736	146%	5,143	24%
Amortization of acquired technology	6,513	14,051	16,921	7,538	116%	2,870	20%
Stock-based compensation		44	36	44		(8)	(18)%
Total cost of revenue	$ 22,289	$ 50,130	$ 59,985	$ 27,841	125%	$ 9,855	20%
Percentage of total revenue	21%	24%	23%				

Software Licenses. Cost of software licenses consists principally of fees associated with integrating third party technology into our distributed systems products, namely our *ChangeMan DS* products and *Professional* and *Dimensions* products from our Merant acquisition, and fees associated with our *StarTool* FDM product through the second quarter of fiscal year 2004, and to a lesser extent, salaries, bonuses and other costs associated with our product release organization. Cost of software licenses was $0.7 million, $3.1 million and $3.2 million in fiscal year 2004, 2005 and 2006, representing 1%, 4% and 4% of total software licenses revenue, respectively.

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Cost of software licenses increased $2.5 million, or 371%, from fiscal year 2004 to 2005 and increased $0.1 million, or 2%, from fiscal year 2005 to 2006. The year-over-year absolute and percentage increases were due to increased sales of our distributed systems products, which include fees associated with integrating third party technology, as a result of our acquisition of Merant.

Maintenance. Cost of maintenance consists primarily of salaries, bonuses and other costs associated with our customer support organizations. Cost of maintenance was $6.4 million, $11.4 million and $13.2 million in fiscal year 2004, 2005 and 2006, respectively, representing 12%, 12% and 10% of total maintenance revenue, respectively. Cost of maintenance increased $5.0 million, or 79%, from fiscal year 2004 to 2005 and increased $1.8 million, or 16%, from fiscal year 2005 to 2006. The dollar increases are due to increases in salaries, benefits and other employee related expenses associated with our customer support organizations as a result of the growth in support personnel headcount to support growth in both maintenance revenue and our installed customer base. The year-over-year dollar increases were due principally to the increase in our installed customer base and our acquisition of Merant and, to a lesser extent, an increase in cost of maintenance resulting from the *RTM* technology acquisition in the second quarter of fiscal year 2005.

Professional Services. Cost of professional services consists of salaries, bonuses and other costs associated with supporting our professional services organization. Cost of professional services was $8.7 million, $21.5 million and $26.6 million in fiscal year 2004, 2005 and 2006, representing 97%, 89% and 91% of total professional services revenue, respectively. Cost of professional services increased $12.8 million, or 146%, from fiscal year 2004 to 2005 and $5.1 million, or 24%, from fiscal year 2005 to 2006. The dollar increases are due to an increase in salaries, benefits and other employee related expenses associated with our professional services organization to support higher professional services revenue and increases in third party contractor costs. The dollar increase in fiscal year 2005, when compared to fiscal year 2004, was in large part driven by our acquisition of Merant. In fiscal year 2005, when compared to fiscal year 2004, the cost of professional services as a percentage of professional services revenues decreased as a result of improvement in our consulting business fueled in part by increases in a number of large engagements. The dollar increase from fiscal year 2005 to fiscal year 2006 was due principally to an increase in salaries, benefits and other employee related expenses associated with our professional services organization to support higher professional services revenue and to increases in third party contractor costs. The year-over-year increases in cost of professional services as a percentage of professional services revenue is due principally to the rate of growth of our costs being greater than the rate of growth in professional services revenue.

Amortization of Acquired Technology. In connection with various prior acquisitions and most recently TeamShare, Merant and the *RTM* technology, we have recorded $93.8 million in acquired technologies, offset by amortization totaling $48.6 million as of January 31, 2006. Amortization of acquired technology was $6.5 million, $14.1 million and $16.9 million in fiscal year 2004, 2005 and 2006, respectively. Amortization of acquired technology increased $7.6 million, or 116%, from fiscal year 2004 to 2005 and $2.9 million, or 20%, from fiscal year 2005 to 2006. The dollar increase in fiscal year 2005, when compared to fiscal year 2004, was predominantly due to the acquired technology recorded in connection with our acquisition of Merant, which accounted for approximately 76% of the increase, and to a lesser extent and in equal proportion, the acquired technology recorded in connection with our acquisitions of TeamShare and the *RTM* product. The dollar increase from fiscal year 2005 to fiscal year 2006 was due principally to the acquired technology recorded in connection with our acquisition of the business application planning technology in the first quarter of fiscal year 2006. We expect to record amortization of acquired technology totaling $27.2 million, $30.2 million and $30.2 million in fiscal year 2007, 2008 and 2009, respectively. These anticipated amortization amounts represent estimated amortization of intangible assets based on expected adjustments related to the merger and the acquisition transactions. The purchase price allocation related to the merger has not been finalized, however, and so future amortization of intangible assets relating to the merger and the acquisition transactions may differ from these estimates. See Unaudited Pro Forma Condensed Consolidated Financial Information. For additional information related to amortization of acquired technology and the acquisitions of Merant and the *RTM* technology from Integrated Chipware, see notes 3, 10 and 11 of notes to our consolidated financial statements for the fiscal years ended January 31, 2004, 2005 and 2006 included elsewhere in this prospectus.

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Operating Expenses

The following table summarizes operating expenses for the periods indicated:

	Fiscal Years Ended January 31, 2004	2005	2006	Fiscal Year 2005 vs. 2004 Increase (Decrease) In Dollars	In %	Fiscal Year 2006 vs. 2005 Increase (Decrease) In Dollars	In %
	(dollars in thousands)						
Operating expenses:							
Sales & marketing	$ 29,158	$ 64,343	$ 73,880	$ 35,185	121%	$ 9,537	15%
Research & development	14,025	31,043	34,534	17,018	121%	3,491	11%
General & administrative	7,342	18,587	17,587	11,245	153%	(1,000)	(5)%
Stock-based compensation		686	1,741	686		1,055	154%
Amortization of intangible assets	2,032	9,608	10,516	7,576	(*)	908	9%
Acquired in-process research & development		10,400		10,400		(10,400)	(100)%
Restructuring, acquisition and other charges		2,351	6,462	2,351		4,111	175%
Total operating expenses	$ 52,557	$ 137,018	$ 144,720	$ 84,461	161%	$ 7,702	6%
Percentage of total revenue	50%	66%	56%				

(*) 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 were $29.2 million, $64.3 million and $73.9 million in fiscal year 2004, 2005 and 2006, representing 28%, 31% and 29% of total revenue, respectively. Sales and marketing expenses increased $35.2 million, or 121%, from fiscal year 2004 to 2005 and $9.5 million, or 15%, from fiscal year 2005 to 2006. The year-over-year dollar increases were due to our acquisition of Merant and, to a lesser extent, the expansion of our direct sales and marketing organizations to support license revenue growth, as well as increases in benefits and other employee-related costs associated with our TeamShare acquisition and, to a lesser extent, our acquisition of the *RTM* product. In fiscal year 2005, when compared to fiscal year 2004, sales and marketing expenses as a percentage of total revenue increased as the rate of growth in sales and marketing expenses was greater than the rate of growth in total revenue, in part fueled by our acquisitions of Merant, TeamShare and the *RTM* product. Sales and marketing expenses decreased as a percentage of total revenue from fiscal year 2005 to fiscal year 2006 as a result of cost synergies realized from our acquisitions of Merant, TeamShare and, to a lesser extent, the *RTM* product. 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 were $14.0 million, $31.0 million and $34.5 million in fiscal year 2004, 2005 and 2006, representing 13%, 15% and 14% of total revenue, respectively. Research and development expenses increased $17.0 million, or 121%, from fiscal year 2004 to 2005 and $3.5 million, or 11%, from fiscal year 2005 to 2006. The year-over-year dollar increases were due primarily to our acquisition of Merant and, to a lesser extent, increased costs generally associated with the expansion of our research and development efforts to enhance existing products and develop our distributed systems products, and our acquisitions of TeamShare and, to a lesser extent, the *RTM* product. Research and development expenses as a percentage of total revenue increased in fiscal year 2005, when compared to fiscal year 2004, due to the rate of growth in research and development expenses being greater than the rate of growth in total revenue, in part fueled by our acquisitions of Merant, TeamShare and the *RTM* product. We 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 were $7.3 million, $18.6 million and $17.6 million in fiscal year 2004, 2005 and 2006, respectively, representing 7%, 9% and 7% of total revenue, respectively. General and administrative expenses increased $11.3 million, or 153%, from fiscal year 2004 to 2005 and decreased $1.0 million, or 5%, from fiscal year 2005 to 2006. In fiscal year 2005, when compared to fiscal year 2004, general and administrative costs increased in absolute dollars and as a percentage of total revenue primarily as a result of our acquisition of Merant, and to a lesser extent, increased costs associated with our Sarbanes-Oxley Act compliance activities. In fiscal year 2006, when compared to fiscal year 2005, general and administrative costs decreased due to increased cost synergies realized from our Merant acquisition. We expect general and administrative expenses to decrease in absolute dollar terms because we will not be required to comply with certain regulatory requirements or perform investor relations functions applicable to publicly-held companies.

Stock-Based Compensation. In connection with our acquisition of Merant, we have recorded $1.8 million in deferred stock-based compensation reflecting the intrinsic value of the stock options assumed in the acquisition. The deferred stock-based compensation is being amortized over four years under an accelerated method whereby approximately $0.9 million, $0.5 million, $0.3 million and $0.1 million will be amortized to expense in the first, second, third and fourth years, respectively. In connection with the issuance of restricted stock in fiscal year 2006, we recorded $9.4 million in deferred stock-based compensation, reflecting the fair market value of the stock on the date of grant. Deferred stock-based compensation associated with the restricted stock is being amortized over five years under the straight-line method. As of January 31, 2006, we have amortized $2.5 million in deferred stock-based compensation and have $8.7 million remaining to be amortized.

Amortization of Intangible Assets. In connection with various prior acquisitions prior to the end of our fiscal year ended January 31, 2006, most recently TeamShare and Merant, we have recorded $65.3 million in identifiable intangible assets, offset by accumulated amortization totaling $23.8 million as of January 31, 2006. Of the total intangible assets, $2.0 million, $9.6 million and $10.5 million was amortized in fiscal year 2004, 2005 and 2006, respectively. Amortization of intangible assets increased $7.6 million from fiscal year 2004 to 2005 and $0.9 million from fiscal year 2005 to 2006. The dollar increase in fiscal year 2005, when compared to fiscal year 2004, was almost exclusively due to the Merant acquisition, which added $59.2 million in amortizable intangible assets and, to a lesser extent, the TeamShare acquisition. The year-over-year dollar increases were due almost exclusively to the Merant acquisition, which added $59.2 million in amortizable intangible assets and, to a lesser extent, the TeamShare acquisition. See notes 1, 3, 10 and 11 of notes to our consolidated financial statements for the fiscal years ended January 31, 2004, 2005 and 2006 included elsewhere in this prospectus for additional information related to amortization of intangible assets and the Merant acquisition. Amortization of intangible assets is expected to be approximately $28.2 million, $32.6 million and $32.6 million in fiscal year 2007, 2008 and 2009, respectively. These anticipated amortization amounts represent estimated amortization of intangible assets based on expected adjustments related to the merger and the acquisition transactions. The purchase price allocation related to the merger has not been finalized, however, and so future amortization of intangible assets relating to the merger and the acquisition transactions may differ from these estimates. See Unaudited Pro Forma Condensed Consolidated Financial Information.

Acquired In-Process Research and Development. In connection with our acquisition of Merant, we recognized a charge in the first quarter of fiscal year 2005 of $10.4 million for acquired in-process research and development. See note 11 of notes to our consolidated financial statements for the fiscal years ended January 31, 2004, 2005 and 2006 included elsewhere in this prospectus for additional information related to the acquired in-process research and development charge. We expect to recognize a charge of $2.8 for acquired in-process research and development in fiscal year 2007 as a result of the acquisition transactions. This anticipated amount represents an estimate based on expected adjustments related to the merger and the acquisition transactions. The purchase price allocation related to the merger has not been finalized, however, and so future charges for acquired in-process research and development relating to the merger and the acquisition transactions may differ from these estimates. See Unaudited Pro Forma Condensed Consolidated Financial Information.

Restructuring, Acquisition and Other Charges. In connection with our acquisition of Merant, we have incurred and expect to continue to incur restructuring, acquisition and other charges related to the acquisition that are not part of our ongoing operations. Such charges have included and will include 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 integrating the two companies. We incurred $2.4 million of these charges in fiscal year 2005. In connection with the acquisition transactions, we have incurred or expect to incur approximately $0.5 million, $5.9 million and $11.9 million of these charges in the fiscal quarter ended October 31, 2005, the fiscal quarter ended January 31, 2006 and the fiscal quarter ending April 30, 2006 upon the consummation of the acquisition transactions, respectively.

Interest Income, Interest Expense and Amortization of Debt Issuance Costs

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

				Fiscal Year 2005 vs. 2004		Fiscal Year 2006 vs. 2005	
	Fiscal Years Ended January 31,			**Increase (Decrease)**		**Increase (Decrease)**	
	2004	**2005**	**2006**	**In Dollars**	**In %**	**In Dollars**	**In %**
	(dollars in thousands)						
Other income (expense):							
Interest income	$ 3,399	$ 3,868	$ 6,203	$ 469	14%	$ 2,335	60%
Interest expense	(413)	(3,300)	(3,300)	(2,887)	(*)		(*)
Amortization of debt issuance cost	(42)	(1,466)	(1,340)	(1,424)	(*)	126	(9)%
Total other income (expense)	$ 2,944	$ (898)	$ 1,563	$ (3,842)	(130)%	$ 2,461	(74)%
Percentage of total revenue	3%	%	%				

(*) Percentage is not meaningful

Interest Income. Interest income was $3.4 million, $3.9 million and $6.2 million in fiscal year 2004, 2005 and 2006, respectively, representing an increase of $0.5 million, or 14%, in fiscal year 2005 over 2004 and an increase of $2.3 million, or 60%, in fiscal year 2006 over 2005. The dollar increase in fiscal year 2005, when compared to fiscal year 2004, is generally due to increases in balances on interest-bearing accounts, such as cash and cash equivalents, and both short and long-term investments, resulting from our offering of the convertible subordinated notes late in fiscal year 2004, which raised approximately $203.7 million, net of costs and restricted cash, and the accumulation of earnings, all partially offset by decreases in cash balances of $199.2 million, net of cash received and acquisition-related costs paid associated with our acquisition of Merant and $43.1 million due to our stock repurchase program implemented throughout fiscal year 2005. The dollar increase from fiscal year 2005 to fiscal year 2006 is due principally to increases in balances on interest-bearing accounts, such as cash and cash equivalents, and both short- and long-term investments, resulting from the accumulation of earnings and higher yields. The increases in balances were partially offset by decreases in cash balances of $4.9 million and $3.3 million, net of cash received and acquisition related costs paid associated with our acquisitions of Merant and Apptero, respectively, acquisition and other related costs paid totaling $3.8 million associated with the merger and the acquisition transactions, and $48.6 million due to our stock repurchase program implemented throughout fiscal year 2006.

Interest Expense. We recorded interest expense totaling $3.3 million and $3.3 million in fiscal year 2005 and 2006, respectively, in connection with our offering of our convertible subordinated notes in the fourth fiscal quarter of 2004, in which we raised $213.3 million in cash, net of costs. See Liquidity and Capital Resources for a description of our convertible subordinated notes. After consummation of the acquisition transactions, we are highly leveraged. 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 $52.1 million.

Amortization of Debt Issuance Costs. In connection with our convertible subordinated notes, we recorded in the fourth quarter of fiscal year 2004 $6.7 million in debt issuance costs, which will be amortized over five years, the term of the initial put option by the holders of our convertible subordinated notes. As of January 31, 2006, we had approximately $3.9 million in unamortized debt issuance costs and had amortized approximately $0.1 million, $1.5 million and $1.3 million in fiscal years 2004, 2005 and 2006, respectively. We expect to amortize approximately $2.7 million of debt issuance costs in our fiscal quarter ended April 30, 2006 in connection with the conversion of approximately $154.6 million of our convertible subordinated notes. Amortization of debt issuance costs for the approximately $65.4 million of convertible subordinated notes that remain outstanding will be 0.4 million annually going forward through December 15, 2008, when the initial put option expires, or earlier, upon conversion or redemption of such convertible subordinated notes. In connection with the acquisition transactions, we expect to record in fiscal year 2007 approximately $17.1 in debt issuance costs related to our senior secured credit agreement and 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. Under the terms of the indenture governing the convertible subordinated notes, the holders of the outstanding convertible subordinated notes have the right to require us to offer to repurchase such notes at 100% of their principal amount plus accrued interest. We expect to repurchase any such notes requested to be purchased on or before May 19, 2006.

Income Taxes. Income taxes were $12.3 million, $10.6 million and $17.4 million in fiscal year 2004, 2005 and 2006, representing effective income tax rates of 37%, 53% and 33%, respectively. Excluding the impact of the one-time in-process research and development charge of $10.4 million in the first quarter of fiscal year 2005, the effective income tax rate for fiscal year 2005 was 35%. Our effective income tax rate, excluding the one-time in-process research and development charge, has decreased annually. The effective income tax rate decreases year over year are in part due to increases in research and experiment tax credits as a result of the TeamShare acquisition in the second quarter of fiscal year 2004 and the Merant acquisition in the first quarter of fiscal year 2005. Our effective income tax rate has historically benefited from the United States research and experimentation tax credit and tax benefits generated from export sales made from the United States.

Liquidity and Capital Resources

Cash, Cash Equivalents and Investments. Since our inception, we have financed our operations and met our capital expenditure requirements through cash flows from operations. As of January 31, 2006 and excluding $3.3 million in restricted cash related to our convertible subordinated notes, we had $148.4 million in cash and cash equivalents, and an additional $60.8 million and $13.6 million in short and long-term investments, respectively, consisting principally of high grade commercial paper, certificates of deposit and short and long-term corporate notes and bonds.

Net Cash Provided by Operating Activities. Cash flows provided by operating activities were $34.4 million, $63.2 million and $84.1 million in fiscal year 2004, 2005 and 2006, respectively. In fiscal year 2004, our cash flows provided by operating activities exceeded net income principally due to the inclusion of non-cash expenses in net income, a decrease in accounts receivable and cash collections in advance of revenue recognition for maintenance contracts; all partially offset by decreases in corporate taxes payable and accrued expenses, and an increase in net deferred tax assets. In fiscal year 2005, our cash flows provided by operating activities exceeded net income principally due to the inclusion of non-cash expenses in net income, increases in corporate taxes payable and accrued expenses, and cash collections in advance of revenue recognition for maintenance contracts; all partially offset by a decrease in net deferred taxes payable and an increase in accounts receivable. In fiscal year 2006, our cash flows provided by operating activities exceeded net income principally as a result of the inclusion of non-cash expenses in net income, decreases in accounts receivable, and increases in accrued expenses and cash collections in advance of revenue recognition for maintenance contracts; all partially offset by a decrease in income taxes payable. Non-cash expenses included in net income consisted of amortization of deferred stock-based compensation in fiscal years 2005 and 2006 only, acquired in-process research and development in fiscal year 2005 only, and amortization of intangible assets and depreciation expense for all periods.

Net Cash Used in Investing Activities. Net cash used in investing activities was $44.9 million, $151.9 million and $29.7 million in fiscal year 2004, 2005 and 2006, respectively. In fiscal year 2004, cash used in investing activities predominantly related to net purchases of short and long-term investments totaling $24.3 million, and to a lesser extent, the purchase of computer equipment and office furniture and equipment totaling $1.2 million. In fiscal year 2004, cash used in investing activities also included the cash paid for the TeamShare acquisition, net of cash received, totaling $19.4 million. In fiscal year 2005, cash used in investing activities predominantly related to cash paid for the acquisition of Merant, net of cash received and acquisition related costs paid, totaling $199.2 million, cash paid for the acquisition of selected assets of Integrated Chipware totaling $4.4 million, and the purchase of computer equipment and office furniture and equipment totaling $2.0 million; all partially offset by net sales of short and long-term investments totaling $53.7 million. In fiscal year 2006, cash used in investing activities related principally to cash paid for the acquisition of Merant, net of cash received and acquisition-related costs paid totaling $4.9 million, cash paid for the acquisition of Apptero totaling $3.3 million, the purchase of computer equipment and office furniture and equipment totaling $3.0 million and purchases of short- and long-term investments totaling $18.9 million.

Net Cash Provided by (Used In) Financing Activities. Net cash provided by (used in) financing activities was $162.4 million, $(30.6) million and $(39.7) million in fiscal year 2004, 2005 and 2006, respectively. In fiscal year 2004, cash provided by financing activities was predominantly related to the offering of our convertible subordinated notes, in which we raised $203.7 million, net of costs and restricted cash, and to a lesser extent, the repayment of principal on notes receivable from stockholders totaling $7.0 million, the exercise of stock options under our employee stock option plan totaling $4.8 million, and the sale of our common stock under the employee stock purchase plan totaling $1.6 million; all partially offset by repurchases of our common stock under stock repurchase plans totaling $54.7 million. In fiscal year 2005, cash used in financing activities was related to repurchases of our common stock under stock repurchase plans totaling $43.1 million; all partially offset by the exercise of stock options under our employee stock option plan totaling $9.5 million and the sale of our common stock under the employee stock purchase plan totaling $3.0 million. In fiscal year 2006, cash used in financing activities was related to repurchases of our common stock under stock repurchase plans totaling $48.6 million, and acquisition and other related costs paid associated with the acquisition transactions totaling $3.8 million; all partially offset by the exercise of stock options granted under our employee stock option plan totaling $9.3 million and the sale of our common stock under our employee stock purchase plan totaling $3.4 million.

Contractual Obligations and Commitments

After consummation of the acquisition transactions, we are highly leveraged. As of January 31, 2006, on a *pro forma* basis, after giving effect to the acquisition transactions, we would have had outstanding $665.4 million in aggregate indebtedness, 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. 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 $52.1 million.

We believe that current cash and short-term investments, and cash flows from operations will satisfy our working capital and capital expenditure requirements through fiscal year 2007. At some point in the future we may require additional funds for either operating or strategic purposes and may seek to raise the additional funds through public or private debt or equity financing. If we ever need to seek additional financing, there is no assurance that this additional financing will be available, or if available, will be on reasonable terms and not legally or structurally senior to or on parity with the notes.

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The following is a summary of our various contractual commitments, including noncancelable operating lease agreements for office space that expire between calendar years 2006 and 2016. All periods start from January 31, 2006. The operating lease commitment amounts and amounts due under the 1 1/2% convertible subordinated notes are given as of January 31, 2006, and the commitments under the senior secured credit agreement and the senior subordinated notes relate to debt incurred on March 10, 2006 (after January 31, 2006) in connection with the closing of the acquisition transactions.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	Thereafter
			(in thousands)		
Operating lease obligations	$ 14,243	$ 4,133	$ 5,904	$ 3,710	$ 496
Restructuring-related operating lease obligations	3,282	1,499	1,333	223	227
Senior secured term loan	400,000	4,000	8,000	8,000	380,000
Senior subordinated notes	200,000				200,000
1 1/2% convertible subordinated notes(1)	65,441				65,441
	$ 682,966	$ 9,632	$ 15,237	$ 11,933	$ 646,164

(1) For purposes of this table, we have assumed that the convertible subordinated notes will remain outstanding until maturity. Under the terms of the indenture governing the convertible subordinated notes, the holders of the outstanding convertible subordinated notes have the right to require us to repurchase such notes at 100% of their principal amount plus accrued interest. We will repurchase any such notes requested to be purchased on or before May 19, 2006.

Working Capital, Accounts Receivable and Deferred Revenue. At January 31, 2006, we had working capital of $151.4 million and accounts receivable, net of allowances, of $35.5 million. Total deferred revenue increased to $77.9 million at January 31, 2006 from $76.3 million at January 31, 2005 primarily as a result of general growth in business.

Acquisitions. The aggregate amount of cash paid relating to acquisitions during the fiscal year ended January 31, 2006 was approximately $11.5 million and consisted of $4.9 million related to our acquisition of Merant in April 2005, net of cash received and acquisition related costs incurred, $3.3 million related to our acquisition of Apptero in 2005, net of cash received and acquisition related costs incurred, $3.8 million in acquisition and other related costs related to our merger with Spyglass Merger Corp. in March 2006, and receipt of $0.5 million related to the acquisition of selected assets of Integrated Chipware. See notes 10 and 11 of notes to our consolidated financial statements for the fiscal years ended January 31, 2004, 2005 and 2006 included elsewhere in this prospectus for a detailed discussion of completed acquisitions, which have affected our liquidity.

Off-Balance Sheet Arrangements. We do not generally participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, or SPEs, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of January 31, 2006, we are not involved in any unconsolidated SPE transactions.

Senior Secured Credit Agreement

In connection with the consummation of the merger, we entered into a senior secured credit agreement pursuant to a debt commitment we obtained from affiliates of the initial purchasers of our senior subordinated notes.

General. The borrower under the senior secured credit agreement initially was Spyglass Merger Corp. and immediately following completion of the merger became Serena. The senior secured credit agreement provides for (1) a seven-year term loan in the amount of $400.0 million, which will amortize at a rate of 1.00% per year on

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a quarterly basis for the first six and three-quarters years after the closing date of the acquisition transactions, with the balance paid at maturity, and (2) a six-year revolving credit facility that permits loans in an aggregate amount of up to $75.0 million, which includes a letter of credit facility and a swing line facility. In addition, subject to certain terms and conditions, the senior secured credit agreement provides for one or more uncommitted incremental term loan and/or revolving credit facilities in an aggregate amount not to exceed $150.0 million. Proceeds of the term loan on the initial borrowing date were used to partially finance the merger, to refinance certain indebtedness of Serena and to pay fees and expenses incurred in connection with the merger. Proceeds of the revolving credit facility and any incremental faci