

SERENA SOFTWARE INC  
Form S-4/A  
March 18, 2004  
Table of Contents

As filed with the Securities and Exchange Commission on March 18, 2004

Registration No. 333-113405

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**PRE-EFFECTIVE AMENDMENT NO. 1**

TO

**FORM S-4**

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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**SERENA SOFTWARE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**7372**  
(Primary Standard Industrial  
Classification Code Number)

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

2755 Campus Drive, 3rd Floor

San Mateo, California 94403-2538

(650) 522-6600

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

**Mark Woodward**

**President and Chief Executive Officer**

**SERENA Software, Inc.**

**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)

---

*Copies to:*

**Kenneth R. Lamb**

**Stewart L. McDowell**

**Gibson, Dunn & Crutcher LLP**

**One Montgomery Street**

**San Francisco, CA 94104-4505**

**(415) 393-8200**

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective and upon consummation of the transactions described in the enclosed prospectus.

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, 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 the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

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

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant 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 or until the registration statement shall become effective on such date as the United States Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**Table of Contents**

**The information contained in this document may change. We may not complete the exchange offer and issue these securities until the registration statement filed with the United States Securities and Exchange Commission is effective. This document is not an offer to sell securities, and it is not soliciting an offer to buy securities, in any jurisdiction where the offer or sale is not permitted.**

**This document is important and requires your immediate attention. If you are in any doubt about the offer or what action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000 or another appropriately authorised independent financial advisor.**

If you have sold or otherwise transferred your Merant securities, please send this document and the accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was made, for delivery to the purchaser or transferee. We are not making the offer directly or indirectly in or into Canada, Australia or Japan. You should not forward or transmit these documents in or into Canada, Australia or Japan.

OFFER DOCUMENT DATED 18 MARCH 2004

**RECOMMENDED CASH AND SHARE OFFER**

**BY**

**SERENA SOFTWARE, INC.**

**(AND BY**

**LEHMAN BROTHERS**

**ON ITS BEHALF**

**OUTSIDE THE UNITED STATES)**

**FOR**

**THE ENTIRE ISSUED AND TO BE ISSUED SHARE CAPITAL OF**

**MERANT PLC**

SERENA Software, Inc., referred to as we or SERENA, (and Lehman Brothers on behalf of SERENA outside the United States) is offering to acquire, on the conditions and the further terms set out in this document and in the accompanying acceptance form or letter of transmittal, all of the issued and to be issued and unconditionally allotted ordinary shares of Merant plc, referred to as Merant shares, and Merant American Depositary Shares, referred to as Merant ADSs, represented by American Depositary Receipts, referred to as Merant ADRs, on the following basis:

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for every 1 Merant share	136.5 pence in cash and 0.04966 share of SERENA common stock, US\$0.001 par value per share
for every 1 Merant ADS (each Merant ADS representing 5 Merant shares)	682.5 pence in cash and 0.2483 share of SERENA common stock, US\$0.001 par value per share

If you accept this offer, you may request to vary the proportion of shares of SERENA common stock, par value \$0.001 per share, referred to as SERENA shares, and cash you will receive pursuant to a mix and match election, including by electing to receive only cash or only new SERENA shares. However, your mix and match election will only be satisfied to the extent that other Merant securityholders make opposite elections.

The offer is based on a valuation of 195 pence for each Merant share. On this basis, the offer values the entire issued share capital of Merant at approximately £206 million (US\$380 million). Our offer to pay for and exchange SERENA shares for Merant shares and Merant ADSs is subject to the conditions set forth in Appendix 1 of this document.

SERENA shares are traded on the Nasdaq National Market, referred to as Nasdaq, under the symbol SRNA . Merant shares are listed on the Official List and traded on the London Stock Exchange under the symbol MRN and on Nasdaq in the form of Merant ADSs under the symbol MRNT .

**A LETTER OF RECOMMENDATION FROM THE CHAIRMAN OF MERANT BEGINS ON PAGE 30 OF THIS DOCUMENT.**

**We Are Not Asking You For A Proxy and You Are Requested Not to Send Us a Proxy.**

**The initial offer period will expire at 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004, unless we specify a later closing date.**

At the conclusion of the initial offer period, if all the conditions have been satisfied, fulfilled and/or, to the extent permitted, waived, we will extend the offer for a subsequent offer period of at least 14 calendar days. Merant securityholders will have withdrawal rights during the initial offer period, including any extension thereof, but not during the subsequent offer period, except in limited circumstances.

**To accept the offer, you must complete the appropriate acceptance procedures by no later than 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004. The procedures for acceptance of the offer are described beginning on page I-21 of Appendix 1 and in the accompanying acceptance form or letter of transmittal.**

**In connection with the offer, you should consider the matters discussed under Risk Factors beginning on page 21 of this document.**

**Neither the SEC nor any securities commission of any state of the United States has approved or disapproved of the securities offered by or on behalf of SERENA or determined if this offer document is truthful or complete. Any representation to the contrary is a criminal offence.**

**Table of Contents**

**REFERENCES TO ADDITIONAL INFORMATION**

This document incorporates important business and financial information about SERENA and Merant from other documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You may read and copy any reports, statements or information that the companies file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1 (800) 732-0330 for further information on the public reference room. The SEC filings of SERENA and Merant are also available to the public from commercial document retrieval services and at the internet website maintained by the SEC at [www.sec.gov](http://www.sec.gov). See the section entitled "Where You Can Find Additional Information." In addition, Merant files annual reports with the Registrar of Companies at Companies House in England and Wales. This information is available through the Companies House website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) upon payment of a minimal fee.

You may also request copies of these documents from us, without charge, excluding all exhibits, unless we have specifically incorporated by reference an exhibit in this document. Merant securityholders may obtain documents incorporated by reference in this document by requesting them in writing or by telephone from our Information Agent at the address set forth below. You can also contact our Information Agent for answers to your questions regarding the offer. In order to receive timely delivery of the documents, you must make your request no later than 8 April 2004.

**D.F. KING & CO., INC.**

***North America***

48 Wall Street

New York, NY 10005

Toll Free: 1 (800) 859-8509

Banks and Brokers: 1 (212) 269-5550

***Europe***

No. 2 London Wall Buildings  
London Wall, London EC2M 5PP  
Toll Free, UK: 0 800 917 8414  
Call Collect: +44 20 7920 9700

SERENA is a registered trademark and the SERENA logo, StarTool and SAFE are trademarks of SERENA. Merant is a registered trademark of Merant. All other products and service names used are trademarks or registered trademarks of their respective owners.

(i)

**Table of Contents**

**TABLE OF CONTENTS**

	<b>PAGE</b>
	<b>_____</b>
<u>IMPORTANT INFORMATION</u>	1
<u>QUESTIONS AND ANSWERS AND SUMMARY OF THE MATERIAL TERMS OF THE OFFER</u>	3
<u>SELECTED HISTORICAL FINANCIAL INFORMATION</u>	14
<u>EXCHANGE RATE INFORMATION</u>	17
<u>SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u>	18
<u>ILLUSTRATIVE COMPARATIVE PER SHARE DATA</u>	19
<u>RISK FACTORS</u>	21
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	28
<u>LETTER OF RECOMMENDATION FROM THE CHAIRMAN OF MERANT</u>	30
1. <u>Introduction</u>	30
2. <u>Terms of the offer</u>	30
3. <u>Background to and reasons for recommending acceptance of the offer</u>	31
4. <u>Management and employees</u>	31
5. <u>Current trading</u>	32
6. <u>Taxation</u>	32
7. <u>Merant share schemes</u>	32
8. <u>Irrevocable undertakings and confirmations of intent to accept the offer</u>	32
9. <u>Inducement fee</u>	33
10. <u>Action to be taken to accept the offer</u>	33
11. <u>Recommendation</u>	33
<u>LETTER FROM LEHMAN BROTHERS</u>	34
1. <u>Introduction</u>	34
2. <u>The offer</u>	34
3. <u>Background to and reasons for the offer</u>	35
4. <u>Mix and match election</u>	36
5. <u>Undertakings and confirmations of intent to accept the offer</u>	37
6. <u>Conditions and further terms of the offer</u>	38
7. <u>Information relating to SERENA</u>	38
8. <u>Information relating to Merant</u>	39
9. <u>Financing of the offer</u>	39
10. <u>Management and employees</u>	39
11. <u>Merant share schemes</u>	39
12. <u>Financial effects of acceptance</u>	41
13. <u>Procedure for acceptance of the offer</u>	41
14. <u>Rights of withdrawal</u>	41
15. <u>Settlement</u>	42
16. <u>United Kingdom taxation</u>	44
17. <u>United States federal taxation</u>	44

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18.	<u>Overseas Merant securityholders</u>	44
19.	<u>Inducement fee</u>	44
20.	<u>Further information</u>	45
21.	<u>Action to be taken</u>	45

(ii)

**Table of Contents**

	<b><u>PAGE</u></b>
APPENDIX 1	<u>Conditions and further terms of the offer</u> I-1
APPENDIX 2	<u>Further Information on SERENA</u> II-1
APPENDIX 3	<u>Further Information on Merant</u> III-1
APPENDIX 4	<u>Unaudited Pro Forma Financial Information</u> IV-1
APPENDIX 5	<u>Additional Information</u> V-1
APPENDIX 6	<u>Description of SERENA shares and changes in the rights of Merant securityholders</u> VI-1
APPENDIX 7	<u>Certain Provisions of the Companies Act</u> VII-1
APPENDIX 8	<u>Definitions</u> VIII-1
APPENDIX 9	<u>Advice of Merant's Financial Advisor</u> IX-1

(iii)

**Table of Contents**

**IMPORTANT INFORMATION**

**DEFINITIONS**

Some words and terms used in this document are defined in Appendix 8 to this document.

**APPLICABLE DISCLOSURE REQUIREMENTS**

We are making an exchange offer for securities of an English company. Because the offer is subject to English and US securities laws, regulations and disclosure requirements, US and UK investors should be aware that this document consists of a combination of both US and UK format and style. In particular, although material information is summarised in the section entitled Summary of the Material Terms of the offer and the letter from Lehman Brothers contained in this document, the Appendices to this document contain material information concerning the offer which is required by US or UK securities law and may be of interest to you.

**FORWARD-LOOKING STATEMENTS**

This document and other documents to which we refer you contain forward-looking statements concerning non-historical facts or matters that are subject to risks and uncertainties. These forward-looking statements may be preceded by, followed by or include the words believes, expects, anticipates, intends, plans, projections, estimates, may, will, should, could or similar expressions. These forward-looking statements are based on our expectations or beliefs concerning future events, many of which are outside of our control. Many possible events or factors could affect the actual financial results and performance of SERENA and Merant before the completion of the transaction and of the combined company after the completion of the transaction, and these factors or events could cause those results or performance to differ significantly from those expressed in our forward-looking statements, including but not limited to:

the possibility that the offer may not be completed;

difficulties we may encounter when integrating the SERENA and Merant businesses, along with other recent acquisitions, if the offer is successful;

the percentage of licence revenue typically closed at the end of each quarter making estimation of operating results prior to the end of the quarter extremely uncertain;

weak economic conditions worldwide which may continue to adversely affect the overall demand for software and services, which have resulted in and could continue to result in decreased revenues or lower revenue growth rates;

our reliance on our mainframe products for revenue;

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changes in revenue mix and seasonality;

our ability to deliver our products on the distributed systems platform;

dependence on revenues from our installed base;

continued demand for additional mainframe Million Instructions Per Second, or MIPS, capacity;

expansion of our international organisations; and

our ability to manage our growth.

The safe harbour protection afforded by the US Private Securities Litigation Reform Act of 1995 does not apply to forward-looking statements made in connection with exchange offers.

## **Table of Contents**

### **FINANCIAL INFORMATION**

The extracts from the consolidated financial statements of, and other information about, SERENA appearing in this document are presented in US dollars (US\$) and have been prepared in accordance with accounting principles generally accepted in the United States of America, referred to as US GAAP. The extracts from the consolidated financial statements of, and other information about, Merant appearing in this document are presented in both US dollars (US\$) and pounds sterling (£) or pence (p) and have been prepared in accordance with accounting practices and principles generally accepted in the United Kingdom, referred to as UK GAAP, except that the Merant revenues have been recognised in accordance with both UK and US GAAP. The headers and captions to the Merant financial information will indicate the basis of accounting and the utilised currency. US GAAP and UK GAAP differ in some significant respects. Financial information relating to SERENA is contained in Appendix 2 and is incorporated by reference in this document. Financial information relating to Merant is contained in Appendix 3 and is incorporated by reference in this document. A reconciliation between UK GAAP and US GAAP in respect of certain information set forth in this document is contained in documents of the Merant group incorporated by reference in this document. Certain unaudited pro forma financial information relating to the combined company is contained in Appendix 4. The unaudited pro forma financial information relating to the combined SERENA group has been prepared in accordance with US GAAP.

### **ABSENCE OF APPRAISAL RIGHTS**

Merant securityholders generally do not have appraisal rights under English law. See the section entitled *Appraisal Rights* in Appendix 6 of this document.

### **RULE 8 NOTICES**

Rule 8.3 of The City Code on Takeovers and Mergers, referred to as the City Code, requires public disclosure of dealings during the initial offer period by persons who own or control or pursuant to an agreement or understanding (whether formal or informal) own or control, or who would as a result of any transaction own or control, 1 per cent. or more of any class of relevant securities of Merant and/or SERENA. Relevant securities include Merant securities, SERENA shares, and instruments convertible into either Merant securities or SERENA shares. In the case of the offer, this requirement will apply until the end of the initial offer period.

### **ADVISORS**

Lehman Brothers Europe Limited, referred to as Lehman Brothers, which is regulated in the United Kingdom by The Financial Services Authority, is acting for SERENA and no one else in connection with the offer and will not be responsible to anyone other than SERENA for providing the protections afforded to customers of Lehman Brothers nor for giving advice in relation to the offer. SERENA is making the offer in the United States on its own behalf.

UBS is acting as financial advisor to Merant in connection with the offer and no one else and will not be responsible to anyone other than Merant for providing the protections afforded to clients of UBS nor for providing advice in relation to the offer.

**SALES RESTRICTIONS IN CERTAIN COUNTRIES**

We are not making the offer directly or indirectly in or into Canada, Australia or Japan. You should not forward or transmit these documents in or into Canada, Australia or Japan.

**NO INTERNET SITE IS PART OF THIS DOCUMENT**

Each of SERENA and Merant maintains an internet site. The SERENA internet site is at *www.serena.com*. The Merant internet site is at *www.merant.com*. Information contained in or otherwise accessible through these internet sites is not part of this document. All references in this document to these internet sites are inactive textual references to these sites and are for your information only.

**Table of Contents****QUESTIONS AND ANSWERS AND SUMMARY OF THE MATERIAL TERMS OF THE OFFER**

*This question and answer section highlights selected information from this document but does not contain all of the information that may be important to you. To better understand our offer to holders of Merant shares and Merant ADSs, you should read this entire document carefully, as well as those additional documents to which we refer you. You may obtain the information incorporated by reference into this document by following the instructions in the section captioned "Where You Can Find Additional Information." In particular, you should read the Appendices attached to this document. References in this document to SERENA, we, us and our are references to SERENA and its consolidated subsidiaries, unless the context otherwise requires. References to Merant securityholders are references to holders of Merant shares or Merant ADSs. References to Merant shareholders are references to holders of Merant shares. Terms used in the Appendices to this document are defined in Appendix 8 to this document.*

**WHO IS OFFERING TO BUY MY MERANT SHARES AND MERANT ADSs?**

SERENA is an industry leader in Enterprise Change Management, or ECM, solutions focused on the mainframe platform. For over twenty years we have focused exclusively on providing solutions that help companies automate change to the applications that run their businesses. Today our products are in use at over 3,600 customer sites including 46 of the Fortune 50. We believe our SERENA Application Framework for Enterprises (SAFE) is the next step in ECM, providing cross-platform, cross-process and cross-organisational support across application life cycle processes. With headquarters in San Mateo, California, we serve customers worldwide through local offices and an international network of distributors.

We are listed on Nasdaq under the symbol SRNA. We have a current market capitalisation of approximately US\$755 million based on the closing price of SERENA shares on 15 March 2004, the latest practicable date prior to the posting of this document. In the years ended 31 January 2004 and 2003, we reported the following results (in millions of US Dollars, except per share data):

	Year ended	Year ended
	<u>31 January 2004</u>	<u>31 January 2003</u>
Revenues	105.6	95.8
Profit before tax	33.7	37.3
Charge for tax	12.3	14.1
Net profit after tax	21.4	23.2
Earnings per share	0.53	0.57

In the quarters ended 31 January 2004 and 2003, we reported the following results (in millions of US Dollars, except per share data):

	Quarter ended	Quarter ended
	<u>31 January 2004</u>	<u>31 January 2003</u>
Revenues	29.6	26.1
Profit before tax	9.3	10.8
Charge for tax	3.4	4.0

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Net profit after tax	6.0	6.8
Earnings per share	0.15	0.17

As at 31 January 2004, we had total cash and cash equivalents of US\$377 million.

We were incorporated in California in 1980 and reincorporated in Delaware in 1998. The address of our principal executive offices is 2755 Campus Drive, 3rd Floor, San Mateo, California 94403-2538 and our telephone number is 1 (650) 522-6600.

## **Table of Contents**

### **WHY ARE YOU MAKING THIS OFFER?**

The acquisition of Merant by SERENA will create the second largest provider of ECM software solutions, serving the complex change management needs of at least 46 of the Fortune 50 largest companies worldwide, with a resulting combined installed base of over 15,000 customers. We believe this installed base will provide the combined company with distribution leverage to cross sell products, expand into new geographies, create new opportunities in channel development and generate a profitable and steady maintenance revenue stream.

The combination brings together two leaders in ECM with the complementary strengths of SERENA on mainframe platforms and Merant on distributed systems platforms and similar visions for future market share expansion.

The boards of directors of SERENA and Merant believe the combination should deliver significant strategic benefits and provide opportunities to reduce expenses and that the combined company would:

create the leading ECM vendor with integrated software solutions running on all major operating systems, from the mainframe to UNIX, LINUX and NT distributed systems environments all the way to the worldwide web;

combine SERENA's market leading mainframe Software Configuration Management, or SCM, product with Merant's market leading enterprise distributed SCM product;

deepen and strengthen the customer base by combining SERENA's more than 3,600 customers with Merant's more than 15,000 customer accounts;

accelerate SERENA's ability to offer customers its vision of application life cycle management solutions branded as SERENA's Application Framework for Enterprises (SAFE), thereby accessing larger markets and enabling the combined company to compete more effectively; and

offer significant potential cost savings in the areas of overlap such as dual exchange listing, dual public company compliance obligations and dual administrative infrastructures as well as a number of other duplicative areas and initiatives.

Both SERENA and Merant have been pursuing similar strategies and strategic investments to enable the application of change management technology beyond SCM to broader applications within information technology.

### **WHAT ARE THE SECURITIES SOUGHT IN THE OFFER?**

We are seeking to acquire all of the issued and to be issued Merant shares and Merant ADSs. See paragraph 2 of the letter from Lehman Brothers contained in this document.

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Merant is a leading provider of software and services for managing code, content and other business-critical assets. Merant designs, develops and markets software products and services for ECM, SCM and web content management, under the Merant brand (formerly the PVCS® brand). Merant solutions help companies improve their ability to manage change of software applications, code and web content. In the year ended 30 April 2003, Merant generated approximately 50 per cent. of its revenue from maintenance fees, approximately 38 per cent. from the sale of licences and the remainder of its revenue from consulting and training. Merant has approximately 535 employees worldwide.

Merant shares are listed on the Official List and publicly traded on the London Stock Exchange under the symbol MRN , and (in ADS form) on Nasdaq under the symbol MRNT . Merant has a current market capitalisation of approximately £201 million based on the closing price of Merant shares on 15 March 2004, the latest practicable date prior to the posting of this document.

**Table of Contents**

Merant released its unaudited third quarter results on 3 March 2004. For the unaudited nine months ended 31 January 2004 and 2003, under UK GAAP, Merant reported the following results (in millions of US Dollars, except per share data):

	<b>Nine Months ended</b>	<b>Nine Months ended</b>
	<b>31 January 2004</b>	<b>31 January 2003</b>
Turnover	91.7	89.1
Profit (loss) before tax	2.0	(19.6)
Charge for (recovery of) tax	(0.2)	
Net profit (loss) after tax	2.2	(19.6)
Earnings (loss) per share	0.02	(0.19)

As at 31 January 2004, Merant had net cash of US\$70.7 million. This is based on an exchange rate of US\$1.8202 : £1.00 on 31 January 2004.

The principal executive offices of Merant are located at Abbey View Everard Close, St. Albans, Herts, AL12PS United Kingdom and the telephone number is +44 (0) 1727 812812.

**WHAT WOULD I RECEIVE IN EXCHANGE FOR MY MERANT SECURITIES?**

We are offering to pay:

<b>for every 1 Merant share</b>	<b>136.5 pence in cash and 0.04966 of a new SERENA share</b>
<b>for every 1 Merant ADS (each Merant ADS representing 5 Merant shares)</b>	<b>682.5 pence in cash and 0.2483 of a new SERENA share</b>

The offer is based on a valuation of each Merant share at 195 pence. On this basis, the offer values the entire amount of issued share capital of Merant at approximately £206 million (US\$380 million). This is based on an exchange rate of US\$1.8488 : £1.00, calculated as the average of the US dollar / pound sterling exchange rate derived from the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York, referred to as the noon buying rate, for the five trading days ended 3 March 2004 and the price per SERENA share of US\$21.78, calculated as the average of the closing prices of one SERENA share as reported on Nasdaq for the twenty United States trading days ended 1 March 2004.

SERENA is offering a mix and match election under which Merant securityholders who validly accept the offer may request to vary the proportions in which they receive SERENA shares and cash in respect of their Merant shares and Merant ADSs.

**HOW DOES THE OFFER COMPARE WITH RECENT PRICES OF MERANT SHARES?**

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At 195 pence for each Merant share, the offer represented a premium of approximately:

25 per cent. to the middle market closing price of 155.5 pence per Merant share on 2 March 2004, the last dealing day prior to the announcement of the offer; and

34 per cent. to the average daily middle market closing price of 145.8 pence per Merant share for the three months ended 2 March 2004.

On 2 March 2004, the last dealing day before we announced the offer, the middle market closing price of Merant shares reported on the London Stock Exchange was 155.5 pence per share and the last sale price of Merant ADSs reported on Nasdaq was US\$14.79 per Merant ADS. Between 2 March 2003 and 2 March 2004, the price of Merant shares ranged between 118.50 pence and 183.50 pence per share and the price of Merant

## **Table of Contents**

ADSs ranged from US\$9.07 and US\$15.35 per Merant ADS. We advise you to obtain a recent quotation for Merant shares and Merant ADSs in deciding whether to accept the offer. See paragraph 3 of Appendix 5 of this document.

On 15 March 2004 (the latest practicable date prior to the posting of this document), at the then prevailing noon buying rate of US\$1.7993: £1.00 and a SERENA share price of \$19.68, the offer values each Merant share at 190.8 pence, representing a premium of approximately 23 per cent. to the middle market closing price of 155.5 pence per Merant share on 2 March 2004, the last dealing day prior to the announcement of the offer.

Merant securityholders should bear in mind that fluctuations in the dollar to pound sterling exchange rate from time to time will affect the pound sterling value of any investment in SERENA shares and any dividend income from that investment (payable in US dollars and subject to US withholding tax). Merant securityholders should also bear in mind that the value of the SERENA shares payable in the offer may fluctuate both before and after any consummation of the offer.

A comparison of the rights of holders of SERENA shares and those of holders of Merant shares is contained in Appendix 6 of this document.

## **MAY I ELECT TO RECEIVE A GREATER PROPORTION OF CASH OR A GREATER PROPORTION OF SERENA SHARES THAN THE STANDARD ENTITLEMENT DESCRIBED ABOVE?**

Merant securityholders who validly accept the offer will be able to request under the mix and match election to vary the proportions in which they receive SERENA shares and cash in respect of their Merant securities.

The maximum number of new SERENA shares to be issued under the offer and the maximum amount of cash to be paid under the offer will not be varied as a result of the mix and match election. Accordingly, a Merant securityholder's mix and match election will be satisfied only to the extent that other Merant securityholders make opposite elections. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata basis. To the extent that elections can be satisfied, electing Merant securityholders will receive new SERENA shares instead of cash, and vice versa.

Accordingly, Merant securityholders who make mix and match elections will not know the exact number of new SERENA shares or the amount of cash they will receive until settlement of the consideration under the offer, although an announcement of the approximate extent to which mix and match elections will be satisfied will be made two days after the mix and match election ceases to be open for acceptance.

All adjustments to the amount of cash or SERENA shares received by any Merant securityholder in the mix and match election will be calculated based on a value per Merant share of 195 pence and a value per SERENA share of £11.78. The value of a SERENA share for these purposes is based on an exchange rate of US\$1.8488 : £1.00, which is calculated as the average of the US dollar/pound sterling noon buying rate for the five trading days ended 3 March 2004 and price per SERENA share of US\$21.78, which is calculated as the average of the closing prices of one SERENA share as reported on Nasdaq for the 20 US trading days ended 1 March 2004.

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Although the offer will remain open for a subsequent offer period of at least 14 calendar days after the date on which the offer becomes or is declared unconditional in all respects, the mix and match election will remain open until, but not beyond, 3.00 pm (London time), 10.00 am (New York City time) on the date falling five calendar days after the offer becomes or is declared unconditional in all respects. Mix and match elections must be made at the same time as the acceptances of the offer to which they relate, on the relevant acceptance form. Merant securityholders who do not make a mix and match election or who do not accept the offer until after the fifth calendar day after the offer becomes or is declared unconditional in all respects will receive the basic entitlement of 136.5 pence in cash and 0.04966 of a new SERENA share for every Merant share held (directly or through Merant ADSs).

## **Table of Contents**

A mix and match election made by a Merant securityholder may not be changed after the time that it is first made on the relevant acceptance form. However, acceptances, including the associated mix and match election, may be withdrawn in accordance with the procedures set forth in this document. See paragraphs 4 and 14 of the letter from Lehman Brothers and paragraphs 4 and 5 of Part B of Appendix 1 of this document.

The mix and match election will be conditional upon the offer becoming or being declared unconditional in all respects.

### **CAN I CHOOSE THE CURRENCY FOR THE CASH I RECEIVE?**

If you accept the offer for Merant shares, you will receive the cash portion of your consideration in pounds sterling, unless you specifically elect to receive it in US dollars.

If you accept the offer for Merant ADSs, you will receive the cash portion of your consideration for your Merant ADSs in US dollars, unless you specifically elect to receive it in pounds sterling.

If you elect or are deemed to have elected to receive the cash portion of your consideration in US dollars, the cash amount payable in pounds sterling to which you would otherwise be entitled pursuant to the terms of the offer will be converted, subject to conversion expenses, from pounds sterling to US dollars at the exchange rate obtainable on the spot market in London on the date the cash consideration is made available by SERENA to the relevant paying agent for delivery in respect of your Merant securities. The actual amount of US dollars received will depend on the exchange rate prevailing on the day on which funds are made available to the relevant payment agent by SERENA. See paragraph 13 of Part B of Appendix 1 of this document.

### **DOES THE MERANT BOARD OF DIRECTORS SUPPORT THE OFFER?**

The board of directors of Merant, referred to as the Merant directors, which has been so advised by UBS, considers the terms of the offer fair from a financial point of view. In providing advice to the Merant board, UBS has taken account of the Merant board's commercial assessments. Accordingly, the Merant directors unanimously recommend that Merant securityholders accept the offer. Merant securityholders are directed to Appendix 9, which contains important information concerning the assumptions in, limitations of and qualifications to UBS' advice to the Merant board.

Each member of the board of directors of Merant has irrevocably undertaken to accept the offer in respect of their own beneficial holdings, comprising 381,389 Merant shares in aggregate (representing approximately 0.36 per cent. of Merant's existing issued share capital). One Merant director, Gerald Perkel, has also irrevocably undertaken to accept the offer in respect of all Merant shares he receives as a result of the exercise of options during the period while the offer is open for acceptance, representing up to 1,500,000 Merant shares. No other Merant director holds any options over Merant shares. See the letter from the Chairman of Merant in this document.

### **DO ANY OTHER SHAREHOLDERS SUPPORT THE OFFER?**

We have received an additional irrevocable undertaking to accept the offer from Merant Trustees Limited, the trustees for Merant's employee benefit trusts, representing approximately 7.0 per cent. of Merant's existing issued share capital. We have also received confirmations of intent to accept the offer, representing in aggregate approximately 27.3 per cent. of Merant's existing issued share capital. See paragraph 5 of the letter from Lehman Brothers. The Merant securityholders from whom we have received undertakings and confirmations of intent (including a confirmation of intent from Schroder Investment Management Limited), hold an aggregate of 34.61 per cent. of the issued share capital of Merant as at 15 March 2004.

## **Table of Contents**

### **DO YOU HAVE THE FINANCIAL RESOURCES TO MAKE PAYMENT?**

We will fund the cash component of the offer from our existing cash resources. The offer is not conditional upon any financing arrangements other than the effectiveness of the registration statement filed by SERENA with respect to the SERENA shares to be issued in the offer. See paragraph 9 of the letter from Lehman Brothers and paragraph 7 of Appendix 5 of this document.

### **IS YOUR FINANCIAL CONDITION RELEVANT TO MY DECISION TO ACCEPT THE OFFER?**

Yes. If you accept the offer, part of your consideration will be in the form of SERENA shares, and you should consider our financial condition and results of operations before you decide to become one of our stockholders through the offer.

You should also review the information set forth in the section entitled "Risk Factors" beginning on page 21 and Appendix 2 and the documents incorporated by reference in this document which contain detailed business, financial and other information about us.

### **HOW LONG DO I HAVE TO ACCEPT THE OFFER?**

You will have until 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004, to accept the offer, unless the offer is extended. However, if you are a Merant ADS holder and you cannot deliver everything that is required in order to make a valid tender of Merant ADSs by that time, you may gain some time by following the procedures for guaranteed delivery, which are described later in this document. See paragraphs 10, 11 and 12 of Part B of Appendix 1 of this document.

### **WHAT IS THE DIFFERENCE BETWEEN THE INITIAL OFFER PERIOD AND THE SUBSEQUENT OFFER PERIOD?**

The initial offer period is the time during which withdrawal rights apply. The initial offer period is the period from the date of this document until the time and date (not being before 3.00 pm (London time), 10.00 am (New York City time) on 15 April 2004) on which all the conditions are satisfied, fulfilled or, to the extent permitted, waived or, if earlier, the time and date on which the offer lapses. SERENA may declare the offer wholly unconditional at any time after 3.00 pm (London time), 10.00 am (New York City time) on 15 April 2004 (or such later time as the offer is required to be extended pursuant to the City Code or US law).

The subsequent offer period will start as soon as the initial offer period terminates as a result of the offer being declared or becoming wholly unconditional. The subsequent offer period must remain open for at least 14 calendar days but we may extend it beyond that time until a further specified date or until further notice. During the subsequent offer period no withdrawal rights apply, except in limited circumstances. See paragraph 4 of Part B of Appendix 1 of this document.

### **CAN THE OFFER BE EXTENDED AND UNDER WHAT CIRCUMSTANCES?**

Yes. If all of the conditions to the offer have not been either satisfied, fulfilled or, to the extent permitted, waived by SERENA by 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004, SERENA may choose, but shall not be obliged to, extend the initial offer period. We may also be required to extend the initial offer period under applicable UK and US securities laws and regulations if there is a material change in the offer or this offer document. Once all the conditions have been either satisfied, fulfilled or, to the extent permitted, waived by SERENA, the offer will remain open for a subsequent offer period of at least 14 calendar days. See paragraph 1 of Part B of Appendix 1 of this document.

## **Table of Contents**

### **HOW WILL I BE NOTIFIED IF THE OFFER IS EXTENDED?**

If we extend the offer, we will make a public announcement of the extension, not later than 8.00 am (London time), and 8.00 am (New York City time), on the next business day after the day on which the offer was scheduled to expire. See paragraph 3 of Part B of Appendix 1.

We will also announce by 8.00 am (London time), and 8.00 am (New York City time), on the day following the end of the initial offer period that there will be a subsequent offer period. The subsequent offer period will remain open for at least 14 calendar days but we may extend it beyond that time until a further specified date or until further notice.

### **WHAT ARE THE MOST SIGNIFICANT CONDITIONS TO THE OFFER?**

We are not obliged to purchase any Merant shares and/or Merant ADSs unless we have received valid acceptances (which have not been properly withdrawn) in respect of at least 90 per cent. of the Merant shares (including Merant shares represented by Merant ADSs) to which the offer relates, referred to as the Acceptance Condition. We may reduce this percentage, but not below 50 per cent. At least five US business days prior to any reduction, we will announce that we may do this through a press release and/or a newspaper advertisement of general circulation in the US and the UK.

We are not obliged to purchase any Merant shares and/or Merant ADSs unless the new SERENA shares to be issued pursuant to the offer have been authorised for listing on Nasdaq and the registration statement that we have filed with the SEC has been declared effective.

We are not obliged to purchase any Merant shares and/or Merant ADSs if, among other things, the offer has been referred to the United Kingdom Competition Commission by the Secretary of State for Trade and Industry or the applicable waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, referred to as the HSR Act, has not expired or been waived.

Subject to the consent of the UK Panel on Takeovers and Mergers, referred to as the Panel, we are not obliged to purchase any Merant shares and/or Merant ADSs if, among other things, certain adverse events material in the context of Merant and its affiliates, taken as a whole, material in the context of SERENA and its subsidiaries, taken as a whole, and/or material in the context of the offer, have occurred.

See Part A and Part B of Appendix 1 of this document.

### **CAN THE OFFER BE TERMINATED OR AMENDED?**

Subject to applicable UK law, the SEC's rules and regulations and the conditions of our offer, which, among other things, limit our ability to amend or terminate our offer, we also reserve the right, at any time or from time to time:

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to extend, for any reason, the period of time during which our offer is open;

to terminate the offer upon the failure of any of the conditions of our offer to be satisfied, in which case all acceptances received prior to the date of termination will cease to be effective; and

to waive any condition or otherwise amend our offer in any respect.

## **Table of Contents**

### **HOW DO I ACCEPT THE OFFER?**

To accept the offer, you must deliver a completed form of acceptance in the case of Merant shares, or a completed letter of transmittal in the case of Merant ADSs, to the UK Receiving Agent or the US Depository, respectively, by not later than the time the offer expires. If your Merant shares are held in uncertificated form (that is, you do not have a share certificate because your Merant shares are held in CREST), you should read carefully paragraph 10 of Part B of Appendix 1 to this document, which sets out the acceptance procedures for holders of Merant shares in uncertificated form. If your Merant ADSs are held in street name in the US, they can be tendered by your nominee through the applicable book entry transfer system. In the case of Merant ADSs, if you cannot get any document or instrument that is required to be delivered by the expiration of the offer, you may gain some time by following the procedures for guaranteed delivery. Receipt of a notice of guaranteed delivery will not be treated as a valid acceptance for the purpose of satisfying the Acceptance Condition. See paragraphs 10, 11 and 12 of Part B of Appendix 1 of this document.

### **UNTIL WHAT TIME CAN I WITHDRAW MY ACCEPTANCE?**

A Merant securityholder who accepts the offer will be entitled to withdraw the acceptance at any time until the end of the initial offer period. Thereafter, withdrawals will not be possible except in very limited circumstances (for example, if we have failed to make certain announcements required by the City Code or if we withdraw an announcement that the offer will not be increased or further extended after a particular date). See paragraph 14 of the letter from Lehman Brothers and paragraph 4 of Part B of Appendix 1 of this document.

### **HOW DO I WITHDRAW MY ACCEPTANCE?**

In order to withdraw Merant shares or Merant ADSs once you have accepted the offer, you must deliver a written notice of withdrawal with the required information to the UK Receiving Agent or the US Depository, respectively, while you still have the right to withdraw the Merant shares or Merant ADSs. See paragraph 4 of Part B of Appendix 1 of this document.

### **WILL THE OFFER BE FOLLOWED BY A COMPULSORY ACQUISITION?**

Yes. If all of the conditions to the offer are either satisfied, fulfilled or, to the extent permitted, waived and we have acquired 90 per cent. in nominal value of Merant shares (including Merant shares represented by Merant ADSs) to which the offer relates then we will be entitled to and intend to acquire all remaining Merant shares and Merant ADSs pursuant to the Companies Act 1985 of England and Wales, as amended, referred to as the Companies Act. Holders of Merant shares and Merant ADSs subject to the compulsory acquisition would receive the same consideration as those holders of Merant shares and Merant ADSs who accept the offer. If you do not accept the offer at all, and are subject to the compulsory acquisition provisions, there will be a limited reintroduction of the mix and match election among the Merant securityholders subject to the compulsory acquisition. See paragraph 11 of Appendix 5 of this document.

### **IF I DECIDE NOT TO ACCEPT, HOW WILL THE OFFER AFFECT MY SECURITIES?**

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If we are able to, we will acquire all Merant shares and Merant ADSs for which we have not received acceptances pursuant to the compulsory acquisition provisions of the Companies Act and you will become one of our stockholders even if you have not accepted the offer and you will receive the same consideration per Merant share or Merant ADS as those Merant securityholders who have accepted the offer. If the offer becomes wholly unconditional, but we are not able to acquire your Merant securities under the compulsory acquisition procedures, you will remain a Merant securityholder and will, therefore, become a minority stockholder in a subsidiary of SERENA. If the offer is not completed for any reason, your status as a Merant securityholder will not be affected.

We also intend to apply, or request that Merant apply, to Nasdaq, the London Stock Exchange and the UK Listing Authority to have the Merant ADSs and Merant shares delisted, terminate the deposit agreement through which the Merant ADS programme is operated and seek to have the registration of the Merant ADSs and Merant

## **Table of Contents**

shares under the Securities Exchange Act of 1934, as amended, or the Exchange Act, terminated. Termination of registration under the Exchange Act would substantially reduce the information required to be furnished to holders of the Merant ADSs and Merant shares and would make certain other provisions of the Exchange Act inapplicable to Merant. Such delistings and cancellation would significantly reduce the liquidity and marketability of any Merant shares in respect of which the offer has not been accepted. See paragraph 13 of Appendix 5 of this document.

### **WILL I HAVE APPRAISAL RIGHTS IN CONNECTION WITH THE OFFER?**

Merant securityholders generally do not have appraisal rights under English law. See the section entitled *Appraisal Rights* in Appendix 6 of this document.

### **WILL I HAVE TO PAY ANY FEES OR COMMISSIONS?**

If you are the record owner of your Merant shares and/or Merant ADSs and you accept the offer, you will not have to pay brokerage fees or similar expenses. If you own your Merant shares and/or Merant ADSs through a broker or other nominee, and your broker accepts the offer on your behalf, your broker or nominee may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply.

### **WILL I RECEIVE CASH INSTEAD OF FRACTIONAL SERENA SHARES?**

We will not issue fractions of SERENA shares in exchange for Merant shares and Merant ADSs. To the extent that Merant securityholders are entitled to fractional shares, those fractional entitlements will be aggregated and sold in the market and the net proceeds of sale distributed pro rata to the holders of Merant shares and Merant ADSs entitled to them. In the case of holders of Merant ADSs, such payment will be made in US dollars, and in the case of holders of Merant shares, such payment will be made in pounds sterling, the applicable proceeds having been converted from US dollars at a prevailing exchange rate selected by SERENA at the relevant time. Individual entitlements to amounts of less than £2.50 (US \$4.50 based on a noon buying rate of US\$1.7993 : £1.00 as at 15 March 2004, the latest practicable date prior to the posting of this document) will not be paid to Merant securityholders, but will be retained for the benefit of the combined company.

### **WILL I BE TAXED ON THE SERENA SHARES AND CASH THAT I RECEIVE?**

The following paragraphs, which are intended as a general guide only and are based on current legislation and United Kingdom Inland Revenue practice (which may change) summarise the United Kingdom tax implications of acceptance of the offer for Merant securityholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Merant shares as investments.

Liability to United Kingdom taxation in respect of chargeable gains will depend upon the individual circumstances of the Merant securityholder and on the form of the consideration received. To the extent that a Merant securityholder receives cash under the basic terms of the offer, this will constitute a disposal of Merant shares for the purposes of United Kingdom taxation of chargeable gains. Such a disposal may, depending upon the individual circumstances of the Merant securityholder, give rise to a liability to United Kingdom tax on chargeable gains.

A Merant securityholder will not be treated as disposing of such securityholder's Merant shares for the purposes of United Kingdom taxation of chargeable gains to the extent that, as a result of acceptance of the offer, the securityholder exchanges those shares for new SERENA shares. Instead the new SERENA shares will be treated as the same asset as the Merant shares acquired when the Merant shares were acquired. The base cost of the new SERENA shares will depend upon the proportion of SERENA shares received as compared to the proportion of cash received under the offer, but in all cases will be a proportion of the relevant shareholder's base cost for the Merant shares. Merant securityholders should note that an application for clearance has been successfully obtained from the Board of Inland Revenue under section 138 Taxation of Chargeable Gains Act 1992.

A subsequent disposal of all or any of the SERENA shares may, depending on individual circumstances, give rise to a liability to United Kingdom tax on chargeable gains.

## **Table of Contents**

Merant securityholders who acquire or acquired their Merant shares by exercising rights under Merant share schemes are reminded that special tax provisions may apply to them on the exercise of options or on any disposal of Merant shares acquired under a Merant share scheme, including provisions imposing a charge to United Kingdom income tax.

**Any Merant securityholder or participant in a Merant share scheme who is in any doubt about such securityholder's tax position should consult such securityholder's professional advisor immediately.**

For US federal income tax purposes, a US holder generally will recognise gain or loss upon the receipt of SERENA shares and cash in exchange for such holder's Merant shares or Merant ADSs pursuant to the offer in an amount equal to the difference between: (a) the sum of (i) the fair market value of such SERENA shares received, (ii) in the case of a US holder who elects to receive the cash consideration payable pursuant to the offer in the form of US dollars, the US dollar amount, and (iii) in the case of a US holder who elects to receive the cash consideration payable pursuant to the offer in the form of pounds sterling, the US dollar value on the date of receipt of the pounds sterling received, determined based on a spot rate on the date the payment is received (it is unclear whether the date of receipt for this purpose is the date that cash is made available by SERENA to the relevant payment agent or the date that cash is received by a US holder), and (b) the US holder's adjusted tax basis in the Merant shares or Merant ADSs, as the case may be.

A non-US holder generally will not recognise any gain or loss for US federal income tax purposes upon the receipt of cash and SERENA shares pursuant to the offer unless the non-US holder has certain connections to the US.

Further information regarding the application of both US and UK tax laws to Merant securityholders who accept the offer is set out in paragraphs 14 and 15 of Appendix 5 of this document.

### **WHAT WILL HAPPEN TO MY MERANT SHARE OPTIONS IF THE OFFER IS COMPLETED?**

The offer will extend, subject to the terms and conditions set forth in this document and acceptance form(s), to all Merant shares unconditionally allotted or issued fully paid (or credited as fully paid) upon exercise of options under the Merant share schemes while the offer remains open for acceptance (or until such earlier date as SERENA may, subject to the provisions of the City Code, determine). Further details of the proposals to be made to the holders of options under the Merant share schemes are set out in paragraph 11 of the letter from Lehman Brothers.

### **IF I CHOOSE TO ACCEPT THE OFFER, HOW WILL MY RIGHTS AS A SERENA STOCKHOLDER DIFFER FROM MY RIGHTS AS A MERANT SECURITYHOLDER?**

An explanation of the material differences between the rights of Merant securityholders and SERENA stockholders is contained in Appendix 6 of this document.

### **HOW WILL THIS TRANSACTION BE TREATED FOR ACCOUNTING PURPOSES?**

SERENA expects that the transaction will be accounted for using the purchase method of accounting for business combinations. Under the purchase method, the consummation of the offer will be treated as an acquisition of Merant by SERENA, and SERENA will allocate the total purchase price among the assets acquired and liabilities assumed based on their estimated fair values at the closing of the transaction.

**WHERE CAN I FIND MORE INFORMATION ABOUT SERENA AND MERANT?**

You can find more information about SERENA and Merant from various sources described in the section of this document entitled **Where You Can Find Additional Information**.

**Table of Contents**

**DO I NEED TO SUBMIT A PROXY?**

No. A vote of the Merant securityholders to approve the transaction is not required. **We are not asking you for a proxy and we request that you not send us a proxy.**

**WHO CAN ANSWER QUESTIONS I MIGHT HAVE ABOUT THE OFFER?**

If you have any questions about the offer, you should contact the Information Agent, D. F. King & Co., Inc. in the UK on 0800 917 8414 (toll free) or +44 20 7920 9700 (call collect) and in the US on 1 (800) 859-8509 (Toll-Free). If you have any questions about procedures for acceptance of the offer in the UK, you should contact the UK Receiving Agent, Capita IRG Plc, on 0870 162 3100 or if calling from outside the UK on +44 20 8639 2157.

**Table of Contents****SERENA****SELECTED HISTORICAL FINANCIAL INFORMATION**

The following selected financial information for the five fiscal years ended 31 January 2003, which is presented in accordance with US GAAP, has been derived from our audited annual consolidated financial statements and should be read in conjunction with the audited annual consolidated financial statements and notes thereto in Appendix 2 and incorporated herein by reference. The following selected interim financial information for the nine month periods ended 31 October 2003 and 2002 has been derived from our unaudited interim consolidated financial statements, and should be read in conjunction with the unaudited interim financial statements and notes therein in Appendix 2 and incorporated herein by reference. The unaudited interim financial information presented below for the nine month periods ended 31 October 2003 and 2002 reflects all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of our results of operations and financial position.

**SERENA SOFTWARE, INC. (1)**

(in thousands of US Dollars, except per share amounts)

	Nine Months Ended		Year Ended 31 January				
	31 October		2003	2002	2001	2000	1999
	2003	2002	2003	2002	2001	2000	1999
<b>Historical Consolidated Statement of Income Data:</b>							
Total revenue	\$ 75,936	\$ 69,677	\$ 95,775	\$ 98,641	\$ 103,609	\$ 75,406	\$ 48,316
Operating income (2) (3)	21,835	22,837	32,524	25,403	35,354	21,913	12,556
Net income (2) (3)	15,384	16,411	23,154	18,509	24,254	14,644	7,330
Net income per share:							
Basic (2) (3) (4)	\$ 0.38	\$ 0.41	\$ 0.57	\$ 0.46	\$ 0.63	\$ 0.40	\$ 0.29
Diluted (2) (3) (4)	\$ 0.38	\$ 0.40	\$ 0.57	\$ 0.46	\$ 0.60	\$ 0.38	\$ 0.27
Weighted average shares used in per share calculations:							
Basic (4)	40,032	40,292	40,367	39,768	38,522	36,751	25,396
Diluted (4)	40,706	40,772	40,854	40,760	40,729	38,819	27,032
<b>Historical Consolidated Balance Sheet Data:</b>							
Cash, cash equivalents and short-term investments	\$ 123,689	\$ 126,529	\$ 143,074	\$ 132,594	\$ 112,658	\$ 101,144	\$ 21,469
Working capital	106,233	113,179	124,151	117,378	105,011	89,631	16,505
Total assets	250,005	250,108	264,523	231,070	203,818	149,059	59,678
Total liabilities	47,833	46,785	51,561	46,294	46,673	34,535	21,573
Total stockholders equity	202,172	203,323	212,962	184,776	157,145	114,524	38,105

(1) The selected historical financial data for all periods presented include the effects of the acquisitions of Optima Software, Inc. from 25 September 1998, Diamond Optimum Systems, Inc. from 14 June 1999, High Power Software, Inc. from 1 May 2000, UltiMIS Corporation from 18 September 2000 and TeamShare, Inc. from 5 June 2003; all of which were accounted for under the purchase method of accounting. The selected historical financial data for all periods presented also include the effects of the StarTool asset purchase from 18 August 2000.

(2)

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For the year ended 31 January 2002, we incurred restructuring costs totaling approximately \$2.5 million pre-tax, all of which were included in operating income. See Note 4(b) to SERENA's Consolidated Financial Statements contained in its Annual Report on Form 10-K for the fiscal year ended 31 January 2002.

- (3) For the years ended 31 January 2001 and 2000, we recorded acquired in-process research and development totaling approximately \$3.0 million and \$1.0 million, respectively, all of which were included in operating income. See Note 10 to SERENA's Consolidated Financial Statements contained in its Annual Report on Form 10-K for the fiscal year ended 31 January 2001.
- (4) All share and per share amounts have been adjusted to reflect the three-for-two stock split in the form of a stock dividend of SERENA's common stock effected 21 March 2000.

**Table of Contents****MERANT SELECTED HISTORICAL FINANCIAL INFORMATION**

The following selected financial information for the five fiscal years ended 30 April 2003, which is presented in accordance with US GAAP and in thousands of pounds sterling, has been derived from Merant's audited annual financial statements and should be read in conjunction with the audited annual financial statements and notes thereto included in Appendix 3. The following interim selected financial information for the six month periods ended 31 October 2003 and 2002, which is presented in accordance with US GAAP and in thousands of pounds sterling, has been derived from Merant's unaudited interim financial statements and should be read in conjunction with the unaudited interim financial statements and notes thereto included in Appendix 3. The unaudited interim financial information presented below for the six months periods ended 31 October 2003 and 2002 reflects all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of our results of operations and financial position.

**MERANT PLC**

(in thousands of pounds sterling, except per share amounts)

	Six Months Ended		Year Ended 30 April				
	31 October		2003	2002	2001	2000	1999
	2003	2002	2003	2002	2001	2000	1999
<b>Historical Consolidated Statement of Income Data:</b>							
Revenue continuing operations	36,764	38,701	78,592	87,068	95,075	80,470	70,035
Operating income (loss)	1,324	(2,012)	2,565	(13,784)	(5,518)	(4,168)	(20,066)
Operating income (loss) from continuing operations	1,324	(2,012)	2,565	(15,185)	(2,960)	(16,445)	(15,049)
Net income (loss) for the period	1,709	(1,511)	1,123	(18,680)	(18,427)	(1,497)	(17,538)
Net income (loss) per share: basic and diluted	0.02p	(0.01)p	1.1p	(14.9)p	(13.7)p	(1.1)p	(12.6)p
Net income (loss) per share from continuing operations	0.02p	(0.01)p	0.5p	(22.9)p	(3.4)p	(9.7)p	(10.8)p
Weighted average number of shares used in computing earnings per share:							
Basic	97,992	103,291	100,739	125,263	134,305	142,163	139,588
Diluted	101,249	103,291	100,739	125,263	134,305	142,163	139,588
<b>Historical Consolidated Balance Sheet Data:</b>							
Cash and cash equivalents	39,226	48,904	45,538	71,620	61,200	79,543	75,394
Total assets	65,590	79,168	74,470	108,053	175,018	209,386	200,484
Shareholders' equity	24,544	24,028	25,131	39,483	72,440	102,977	95,136
Total number of shares in issue	105,269	103,261	103,936	115,027	134,963	149,389	143,673
Share capital	2,105	2,102	2,078	2,300	2,699	2,988	2,873
<b>Historical Consolidated Financial Condition Data:</b>							
Working capital	16,827	21,070	20,226	38,619	19,454	51,867	53,486

**Table of Contents****MERANT SELECTED HISTORICAL FINANCIAL INFORMATION**

The following selected financial information for the five fiscal years ended 30 April 2003, which is presented in accordance with UK GAAP and in thousands of pounds sterling, has been derived from Merant's audited annual consolidated financial statements and should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in Appendix 3. The following unaudited interim selected financial information for the six month periods ended 31 October 2003 and 2002, which is presented in accordance with UK GAAP and in thousands of pounds sterling, has been derived from Merant's unaudited interim financial statements and should be read in conjunction with the unaudited interim financial statements and notes thereto included in Appendix 3. The unaudited interim financial information presented below for the six months periods ended 31 October 2003 and 2002 reflects all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of our results of operations and financial position.

**MERANT PLC**

(in thousands of pounds sterling, except per share amounts)

	Six Months Ended		Year Ended 30 April				
	31 October		2003	2002	2001	2000	1999
	2003	2002					
<b>Historical Consolidated Statement of Income Data:</b>							
Turnover	36,764	38,701	78,592	118,275	215,433	227,283	186,104
Operating profit (loss)	319	(11,330)	(10,692)	(45,398)	(39,762)	(38,132)	(8,511)
Operating profit (loss) from continuing operations	319	(11,330)	(10,692)	(41,953)	(28,798)	(41,456)	(16,036)
Profit (loss) for the period	704	(13,204)	(12,498)	(62,026)	(50,914)	(35,461)	(18,710)
Profit (loss) per share: basic and diluted	0.7p	(12.8)p	(12.4)p	(49.6)p	(37.9)p	(24.9)p	(15.8)p
Weighted average number of shares used in computing basic and diluted earnings per share	101,249	103,291	100,739	125,092	134,305	142,163	114,709
<b>Historical Consolidated Balance Sheet Data:</b>							
Cash and bank deposits	39,226	48,904	45,538	71,620	61,200	79,543	75,394
Total assets	75,088	87,126	82,655	127,785	231,044	304,893	322,457
Total shareholders funds	34,042	31,986	33,316	59,215	128,466	198,484	217,109
Total number of shares in issue	105,269	103,261	103,936	115,027	134,963	149,389	143,673
Share capital	2,105	2,102	2,078	2,300	2,699	2,988	2,873
<b>Historical Consolidated Financial Condition Data:</b>							
Working capital	16,827	21,070	20,226	38,619	19,454	51,867	53,486

**Table of Contents****EXCHANGE RATE INFORMATION**

The financial statements of Merant are prepared in pounds sterling. The following table sets forth, for the periods indicated, information concerning the exchange rate as reported in *The Financial Times*, expressed in US dollars per pound sterling. The average rate is calculated by using the closing rates in *The Financial Times* on the last day during a monthly period, and on the last day of each month during an annual period. This is different than the source of the exchange rate used in calculating the value of the transaction. The transaction was valued using the exchange rate derived from the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York.

	<u>HIGH</u>	<u>LOW</u>	<u>END</u>	<u>AVERAGE RATE</u>
NINE MONTHS ENDED 31 OCTOBER 2003	1.70	1.58	1.70	1.62
	<u>HIGH</u>	<u>LOW</u>	<u>END</u>	<u>AVERAGE RATE</u>
YEAR ENDED 30 APRIL				
2003	1.65	1.46	1.60	1.56
2002	1.48	1.41	1.46	1.44
2001	1.52	1.42	1.44	1.47
2000	1.64	1.58	1.58	1.61
1999	1.70	1.60	1.61	1.65

As at 15 March 2004, the latest practicable dealing date prior to the posting of this document, the exchange rate as reported in *The Financial Times* for pounds sterling was \$1.7950. No representation is made that the amounts of sterling presented in this document have been, could have been or could be converted into US dollars at the rates indicated above.





**Table of Contents**

**ILLUSTRATIVE COMPARATIVE PER SHARE DATA**

The following table presents historical net income and book value for SERENA and Merant individually. The table also presents unaudited pro forma per share data for SERENA and Merant. The unaudited pro forma earnings and book value per share data give effect to the business combination as if it occurred on 31 October 2003 for balance sheet purposes and 1 February 2002 for income statement purposes and are based on the Unaudited Pro Forma Condensed Combined Financial Information included in Appendix 4 to this document.

The historical stockholders' equity per SERENA share is computed by dividing stockholders' equity by the weighted average number of SERENA shares outstanding at the end of the period. The pro forma combined stockholders' equity per SERENA share is computed by dividing pro forma stockholders' equity by the pro forma weighted average number of SERENA shares outstanding at the end of the period. Neither SERENA nor Merant has declared or paid cash dividends on its common stock.

Historical book value per share for Merant is computed by dividing total stockholders' equity on a US GAAP basis by the weighted average number of shares of Merant common stock outstanding at the end of each period. The equivalent pro forma information was obtained by multiplying the pro forma earnings per common share and pro forma stockholders' equity per common share by the exchange ratio of 0.04966, so that the per share amounts are equated to the respective values for one share of Merant.

The unaudited pro forma data are based on the terms of the business combination in which SERENA will offer cash and new SERENA shares for the Merant shares. The information in the table below should be read in conjunction with the respective audited and unaudited consolidated financial statements of SERENA and Merant, including the notes thereto and the Unaudited Pro Forma Condensed Combined Financial Information included in Appendix 4 to this document.

**Table of Contents**

	NINE MONTHS ENDED 31 OCTOBER 2003	YEAR ENDED 31 JANUARY 2003
<b>SERENA HISTORICAL</b>		
Earnings per common share:		
Basic	\$ 0.38	\$ 0.57
Diluted	\$ 0.38	\$ 0.57
Stockholders' equity per common share:		
Basic	\$ 5.05	\$ 5.28
Diluted	\$ 4.97	\$ 5.21
<b>MERANT HISTORICAL</b>		
Earnings per common share:		
Basic	\$ 0.05	\$ (0.15)
Diluted	\$ 0.05	\$ (0.15)
Stockholders' equity per common share:		
Basic	\$ 0.42	\$ 0.50
Diluted	\$ 0.41	\$ 0.50
<b>SERENA PRO FORMA COMBINED COMPANY</b>		
Earnings per common share:		
Basic	\$ 0.06	\$ (0.58)
Diluted	\$ 0.06	\$ (0.58)
Stockholders' equity per common share:		
Basic	\$ 6.77	
Diluted	\$ 6.68	
<b>MERANT PRO FORMA EQUIVALENT PER SHARE INFORMATION</b>		
Earnings per common share:		
Basic	\$ 0.00	\$ (0.03)
Diluted	\$ 0.00	\$ (0.03)
Stockholders' equity per common share:		
Basic	\$ 0.34	
Diluted	\$ 0.33	

**Table of Contents**

**RISK FACTORS**

*By accepting the offer, holders of Merant shares and Merant ADSs will be choosing to invest in SERENA shares. In considering whether to accept the offer, you should consider carefully the following factors, and the other risks and information contained in the documents incorporated by reference, especially the risks described in SERENA's Quarterly Report on Form 10-Q for the period ended 31 October 2003 and the risks described in Merant's Annual Report on Form 20-F for the year ended 30 April 2003. See Where You Can Find Additional Information for where you can find the additional risk factors and other information incorporated by reference in this document.*

As used below, we or us refers to SERENA or, after the consummation of our offer as described in this document, SERENA and Merant, as the context requires.

**RISKS RELATING TO OUR PROPOSED OFFER**

*Market fluctuations may reduce the market value of the consideration we are offering to you because the exchange ratio contemplated by our offer is fixed.*

The consideration in our offer consists in part of a specified number of SERENA shares, or a fraction of a SERENA share, subject to the mix and match election procedures, rather than a number of SERENA shares, or a fraction of a SERENA share, with a specified value. The value of a SERENA share for these purposes is based on an exchange rate of US\$1.8488 : £1.00, which is calculated as the average of the US dollar /pound sterling noon buying rate for the five trading days ended 3 March 2004 and price per SERENA share of US\$21.78, which is calculated as the average of the closing prices of one SERENA share as reported on Nasdaq for the 20 US trading days ended 1 March 2004. Any fluctuation in the market price of SERENA shares or the pound sterling/dollar exchange rate between now and the closing of our offer will change the value of the SERENA shares that you will receive. Therefore, the value of the SERENA shares that you will receive could be higher or lower than the price on which the determination was based. In addition, SERENA may not trade on a comparable basis to its historical trading performance prior to the consummation of our offer. For information regarding the range of trading prices of SERENA shares on Nasdaq, please refer to Appendix 5.

*If you elect the mix and match feature, you may not receive all consideration in the form you have requested.*

Our offer contains a mix and match election feature, whereby Merant securityholders who validly accept the offer may request to receive either more SERENA shares or more cash than the standard entitlement. However, elections by Merant securityholders will be satisfied only to the extent that off-setting elections have been made by other Merant securityholders in our offer. In other words, in order for a Merant securityholder to receive a higher proportion of cash, other Merant securityholders will have to elect to receive a higher proportion of SERENA shares, and vice versa. To the extent that elections cannot be satisfied as a result of a lack of such off-setting elections, entitlements to SERENA shares and cash in excess of the standard entitlement will be reduced on a pro rata basis. Once the share allocations have been determined, the cash element of the consideration will be reduced or increased (as the case may be) for each holder of Merant shares or Merant ADSs who has been allocated an increased or reduced number of SERENA shares. All calculations will be made by reference to the number of acceptances and elections as at the fifth calendar day after the offer is declared or becomes wholly unconditional and, for the purposes of these calculations, the assumed value per Merant share will be 195 pence and the assumed value per SERENA share shall be £11.78. We describe our procedures for election and proration in Part B of Appendix 1.

*This transaction may adversely affect the liquidity and value of non-tendered Merant shares and Merant ADSs.*

In the event that not all of the Merant shares and Merant ADSs are acquired pursuant to the offer, the number of securityholders and the number of Merant shares and Merant ADSs held by individual holders will be

## **Table of Contents**

greatly reduced. As a result, the closing of our offer would adversely affect the liquidity and may adversely affect the market value of the remaining Merant shares and Merant ADSs held by the public. Subject to London Stock Exchange and Nasdaq delisting rules, we may delist the Merant shares on the London Stock Exchange and delist the Merant ADSs on Nasdaq. As a result of the delisting, Merant shares and Merant ADSs not acquired pursuant to our offer may become illiquid and may be of reduced value.

*If SERENA encounters difficulties integrating the business operations of SERENA and Merant, it could adversely affect the business of the combined company.*

We intend, to the extent possible, to integrate our operations with those of Merant. Our goal in integrating these operations is to increase earnings and achieve cost savings by taking advantage of the significant anticipated synergies of consolidation and enhanced growth opportunities. We anticipate incurring severance payments and other employee related costs, costs for lease terminations, meetings, trainings, rebranding, integration of information technology systems, and other costs in connection with the integration of SERENA and Merant. We cannot be sure that we will not encounter substantial difficulties integrating our operations with Merant's operations, resulting in a delay or the failure to achieve the anticipated synergies and, therefore, the expected increases in earnings and cost savings. The difficulties of combining the operations of the two companies include, among other things:

possible inconsistencies in standards, controls, procedures and policies, business cultures and compensation structures between SERENA and Merant;

coordinating and consolidating ongoing and future research and development efforts;

consolidating corporate and administrative infrastructure, particularly in light of Merant's complex corporate structure;

integrating and managing the technologies and products of the two companies, including consolidating and integrating computer information systems;

consolidating sales and marketing operations;

retaining existing customers and attracting new customers;

retaining strategic partners and attracting new strategic partners;

retaining key employees;

retaining and integrating distributors and key sales representatives;

identifying and eliminating redundant and underperforming operations and assets;

using capital assets efficiently to develop the business of the combined company;

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minimising the diversion of management's attention from ongoing business concerns;

coordinating geographically separate organisations;

possible tax costs or inefficiencies associated with integrating the operations of the combined company;

possible modification of operating control standards in order to comply with the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder; and

retaining and attracting new employees to support existing and new products and new technology development.

For these reasons, we may fail to complete successfully the necessary integration of SERENA and Merant, or to realise any of the anticipated benefits of the integration of the two companies. Actual cost savings and synergies may be lower than we currently expect and may take a longer time to achieve than we currently anticipate.

## **Table of Contents**

*Whether or not the offer is completed, the announcement of the offer may cause disruptions, including potential loss of customers, suppliers and other business partners, in the business of SERENA or Merant, which could have material adverse effects on each company's or the combined company's business and operations.*

Whether or not the offer is completed, SERENA's and Merant's customers, suppliers, distributors, licensors and other business partners, in response to the announcement of the offer, may adversely change or terminate their relationships with either company or the combined company, which could have a material adverse effect on the business of the company concerned. Certain of SERENA's or Merant's current or potential customers may cancel or defer orders for each company's products. In addition, customers of both companies may expect re-negotiated pricing as a result of the offer or the announcement of the offer. The announcement of the offer may also adversely affect the companies' ability to attract new customers.

Some of the contracts with suppliers, distributors, system integrators, customers, licensors, facility owners and other business partners require SERENA or Merant to obtain consent from these other parties in connection with the offer. If their consent cannot be obtained on favourable terms, the combined company may incur higher costs related to replacing suppliers, may suffer a loss of potential future revenue and may lose rights to facilities or intellectual property that are material to the business of the combined company.

*Charges to earnings resulting from the acquisition, including the application of the purchase method of accounting, and restructuring and integration costs may materially adversely affect the market value of SERENA shares following the acquisition.*

In accordance with US GAAP, the combined company will account for the acquisition using the purchase method of accounting. The combined company will allocate the total estimated purchase price to Merant's net tangible assets, amortisable intangible assets, and in-process research and development based on their fair values as at the date of completion of the acquisition, and record the excess of the purchase price over those fair values as goodwill. The combined company's financial results, including earnings per share, could be adversely affected by a number of financial adjustments required by US GAAP including the following:

The portion of the existing deferred revenues on Merant's balance sheet at the closing of the acquisition which represents maintenance revenue will be adjusted, based on estimated cost to deliver plus an appropriate gross margin.

The portion of the estimated purchase price allocated to in-process research and development will be expensed by the combined company in the quarter in which the acquisition is completed.

The combined company will incur additional amortisation expense over the estimated useful lives of certain of the intangible assets acquired in connection with the acquisition during such estimated useful lives.

To the extent the value of goodwill or intangible assets with indefinite lives becomes impaired, the combined company may be required to incur material charges relating to the impairment of those assets.

We expect to incur costs associated with combining the operations of the two companies, including advisors' fees and other costs related to the offer and the acquisition. These costs may be substantial and may include those related to the severance and stock option acceleration provisions of Merant's employee benefit plans, which could be triggered by the acquisition. We also face potential costs related to employee redeployment or relocation, employee retention which could include salary increases, bonuses or option grants, reorganisation or closure of facilities, relocation and disposal of excess equipment, termination of contracts with third parties that provide redundant or conflicting services and other

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integration costs. We have not yet determined the amount of these costs. We expect to account for these costs as purchase related adjustments when the acquisition is completed, which will decrease our net income and impact cash balances for the periods in which those adjustments are made. Each of these charges would negatively impact earnings, which could have a material adverse effect on the price of SERENA shares.

## **Table of Contents**

***Upon your receipt of SERENA shares in our offer, you will become a stockholder in a Delaware corporation, which will change certain shareholder rights and privileges you hold as a shareholder of an English company.***

SERENA is governed by the laws of the US, the State of Delaware and by its restated certificate of incorporation, as amended, and by-laws. The Delaware General Corporation Law, referred to as the DGCL, extends to stockholders certain rights and privileges that may not exist under UK law and, conversely, does not extend certain rights and privileges that you may have as a shareholder of a company governed by UK law. The directors of a Delaware corporation may elect to adopt certain provisions that have the effect of discouraging a third party from acquiring control of SERENA. Such provisions could limit the price that some investors might be willing to pay in the future for SERENA shares. These Delaware provisions may also have the effect of discouraging or preventing certain types of transactions involving an actual or a threatened change in control of SERENA, including unsolicited takeover attempts, even though such a transaction may offer SERENA stockholders the opportunity to sell their SERENA shares at a price above the prevailing market price. For a detailed discussion of the rights of SERENA stockholders versus the rights of holders of Merant shares or Merant ADSs, see our discussion in the section captioned "Description of SERENA shares and changes in the rights of Merant securityholders" in Appendix 6 of this document.

***The market price of SERENA shares may decline as a result of our offer.***

The market price of SERENA shares may decline as a result of our offer if:

the integration of Merant's business is unsuccessful;

we do not achieve the expected benefits of our acquisition of Merant as rapidly or to the extent anticipated by financial analysts or investors; or

the effect of our acquisition of Merant on our financial results is not consistent with the expectations of financial analysts or investors.

We estimate that the number of SERENA shares that will be issued on full acceptance of our offer will not be more than 5.9 million, representing approximately 13.3 per cent. of the issued and outstanding SERENA shares, as increased as a result of the offer, calculated as at 15 March 2004. The increase in the number of SERENA shares issued may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, SERENA shares.

***Full integration of our operations with Merant's operations may not be achieved if we cannot effect the compulsory acquisition of all of the issued and outstanding Merant shares, including shares represented by Merant ADSs, which could adversely affect our ability to realise some or all of the anticipated benefits of the acquisition.***

Our offer is subject to a condition that, before the end of our offer period, valid acceptances have been received and not properly withdrawn in respect of at least 90 per cent. of the Merant shares, including shares represented by Merant ADSs, to which the offer relates. To effect the compulsory acquisition of all of the Merant shares to which the offer relates, including shares represented by Merant ADSs to which the offer relates, under UK law, we are required to have acquired at least 90 per cent. of all of the shares of Merant, including shares represented by Merant ADSs. It is possible that, at the end of our offer period, we will not hold a sufficient number of Merant shares, including shares represented by Merant ADSs, to effect a compulsory acquisition of the remaining outstanding Merant shares, including shares represented by Merant ADSs. This could prevent or delay us from realising some or all of the anticipated benefits from the integration of our operations with

Merant's operations.

***We expect our offer to trigger certain change of control payments in the employment agreements of certain members of Merant's senior management, which will increase our expenses for the transaction.***

The employment agreements of certain members of Merant's senior management contain change of control clauses providing for compensation to be paid in the event the employment agreements of these employees are

## **Table of Contents**

terminated following the consummation of our offer should their respective positions with Merant be materially changed. If successful, our offer would effect such a change of control, thereby giving rise to potential change of control payments.

*Antitrust and competition authorities in various jurisdictions may attempt to delay or prevent our acquisition of voting and control rights or may require divestitures, which could adversely affect our ability to consummate the offer.*

Under the HSR Act, the transaction may not be consummated unless certain filings have been submitted to the Federal Trade Commission, referred to as the FTC, and the Antitrust Division of the Department of Justice, referred to as the Antitrust Division, and certain waiting period requirements have been satisfied. In addition, the transaction may be subject to review by competition authorities in jurisdictions in which it is not subject to mandatory notification requirements. SERENA and Merant have made these required filings. In addition, completion of the offer is subject to various foreign antitrust laws, though we do not expect to need to make filings except under the HSR Act. We cannot be sure that antitrust enforcers in jurisdictions that have the authority to review the transaction will allow the transaction to proceed without first seeking additional information pursuant to a Request for Additional Information and Documentary Material, referred to as a second request, or similar process or that approvals for the transaction will be obtained at all or without materially adverse restrictions or conditions that would have an adverse effect on the combined company. In addition, it is a condition to the consummation of our offer that we are not required to sell or divest any of our assets or business and that we are not prohibited from owning any portion of the Merant business or assets, to an extent that is material to Merant and its affiliates, taken as a whole, or SERENA and its subsidiaries, taken as a whole.

The FTC and the Antitrust Division frequently scrutinise the legality under the antitrust laws of transactions like the offer. At any time before or after the completion of the offer, the FTC or the Antitrust Division could take any action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the offer or completion of the compulsory acquisition or seeking the divestiture of substantial assets of SERENA or Merant. There can be no assurance that we will receive a favourable result if such a challenge is made. State attorneys general may also bring legal action under the antitrust laws, and private parties may bring such actions under certain circumstances.

*The cash portion of the consideration to be paid in our offer to Merant securityholders who accept the offer is based on a fixed amount of pounds sterling and, therefore, SERENA is subject to currency fluctuations through the payment date.*

Because SERENA will pay all holders of Merant shares in pounds sterling, SERENA must buy pounds sterling with US dollars at the prevailing exchange rate on the payment date. As a result, the actual amount of US dollars required to buy a sufficient amount of pounds sterling to pay the cash portion of the consideration to such holders will depend upon the exchange rate prevailing on the business day on which the funds are made available by SERENA to the UK Receiving Agent. Additionally, because the cash portion of the consideration payable in the offer is a fixed amount of pounds sterling, the actual amount of US dollars that SERENA will pay with respect to the cash portion of the consideration will depend upon the exchange rate prevailing on the business day on which the funds are made available by SERENA to the US Depository. Therefore, SERENA is subject to the risk of fluctuations in the dollar/pound sterling exchange rate.

*Holders of Merant shares who elect to receive cash consideration in US dollars and holders of Merant ADSs who do not elect to receive cash consideration in pounds sterling will be subject to exchange rate risk.*

If holders of Merant shares elect to receive cash consideration in US dollars, or holders of Merant ADSs do not elect to receive cash consideration in pounds sterling, the cash amount payable in pounds sterling to which such person would otherwise be entitled pursuant to the terms of the offer will be converted, subject to conversion expenses, from pounds sterling to US dollars at the exchange rate obtainable on the spot market in



**Table of Contents**

London at approximately noon (London time) on the date the cash consideration is made available by SERENA to the relevant paying agent for delivery in respect of the applicable Merant securities. The actual amount of US dollars received by any Merant securityholder that receives cash consideration in US dollars will depend on the exchange rate prevailing on the day on which funds are made available to the relevant payment agent by SERENA, so such Merant securityholders will be subject to the risk that exchange rate fluctuations could change the amount of US dollars they receive.

*Merant executive officers and directors have interests other than as Merant securityholders that may influence them to support the offer.*

In considering the recommendation of the Merant directors to accept the offer and tender your Merant shares, you should recognise that Merant directors and officers have interests in the offer that differ from, or are in addition to, their interests as Merant securityholders. These interests include:

current and future employment arrangements;

severance benefits if their employment is terminated after the acquisition;

for the following directors, officers or employees of Merant, full acceleration of their stock options as a result of the acquisition: Gerald Perkel, Scott Hildebrant, Stephen King, Diane Williams, Robert Blaskowsky, Stephen Going, Robert Dunne, Brian Unruh and William Rees Withers; and

the fact that one Merant director, Gerald Perkel, will become a director of SERENA upon completion of the acquisition.

See paragraph 8 of Appendix 5.

*Failure to complete the offer could be costly to Merant and its securityholders.*

If the offer is not completed for any reason, Merant could suffer a number of consequences that may adversely affect its business, results of operations and stock price, including the following:

the market price of Merant shares may decline, assuming that current market prices reflect a market assumption that the offer will be completed;

the benefits expected from becoming a part of a combined company with SERENA will not be realised;

activities relating to the offer and related uncertainties may divert management's attention from the day-to-day business and cause disruptions among employees and to relationships with customers and business partners, thus detracting from Merant's ability to grow revenue and minimise costs and possibly leading to a loss of revenue and market position that may not be regained if the transaction does not occur;

difficulty continuing Merant's present level of operations, requiring it to scale back the present level of business and consider reductions in force;

disruption of its employee, customer and business partner base; and

an inability to take advantage of alternative business opportunities or effectively respond to competitive pressures.

In addition, under certain circumstances, Merant has agreed to pay us a fee of approximately £2.06 million (US\$3.71 million based on the noon buying rate of US\$1.7993: £1.00 as at 15 March 2004, the latest practicable date prior to the posting of this document). See paragraph 6 of Part B of Appendix 1.

**Table of Contents**

*The acquisition may be completed even though material adverse changes may result from the announcement of the offer, industry-wide changes and other causes, which could adversely affect SERENA's business and financial condition.*

Pursuant to the terms of the offer, we may refuse to complete the offer if there is a material adverse change affecting Merant before the closing. However, we will need to obtain the consent of the Panel to invoke certain of our conditions to closing the transaction. The Panel could refuse to permit us to invoke a condition to closing if it feels that SERENA knew or should have known such material adverse change might exist and/or that the change is not material in the context of Merant and its affiliates, taken as a whole, SERENA and its subsidiaries, taken as a whole and/or the offer.

If material adverse changes occur but we must still complete the offer, our stock price may suffer or our business or financial condition may be harmed. This in turn may reduce the value of the consideration paid to Merant securityholders in the offer.

*The price of SERENA shares may be affected by factors different from those affecting the price of Merant shares and Merant ADSs.*

When the acquisition is completed, Merant securityholders will become holders of SERENA shares. SERENA's business differs from that of Merant, and SERENA's results of operations, as well as the price of SERENA shares may be affected by factors different from those affecting Merant's results of operations and the price of Merant shares and Merant ADSs.

**Table of Contents**

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Merant files annual and current reports with the SEC and pursuant to the Companies Act. You may read and copy any reports, statements or other information that we and Merant file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1 (800) 732-0330 for further information regarding the public reference room. SERENA's and Merant's public filings also are available to the public from commercial document retrieval services and at the internet website maintained by the SEC at <http://www.sec.gov>.

We have filed a registration statement on Form S-4 to register with the SEC the offering and sale of SERENA shares to be issued to Merant securityholders pursuant to our offer. This document is a part of that registration statement. Upon commencement of the offer, we will file with the SEC a statement on Schedule TO pursuant to Rule 14d-3 under the Exchange Act to furnish certain information about the offer and Merant will file with the SEC a Solicitation/Recommendation Schedule 14D-9 regarding the offer.

As allowed by SEC rules, this document does not contain all of the information that you can find in the registration statement or the exhibits to the registration statement. The SEC allows us to incorporate information into this document by reference, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this document, except for any information superseded by information contained directly in this document. This document incorporates by reference the documents set forth below that SERENA and Merant have previously filed with the SEC. These documents contain important information about SERENA and Merant and their financial condition.

<b>SERENA Filings (File No. 000-25285):</b>	<b>Period</b>
Annual Report on Form 10-K	Year ended 31 January 2003, as filed on 29 April 2003
Quarterly Reports on Form 10-Q	Quarter ended 30 April 2003, as filed on 13 June 2003; Quarter ended 31 July 2003, as filed on 12 September 2003; and Quarter ended 31 October 2003, as filed on 8 December 2003
Current Reports on Form 8-K	Filed on 20 May 2003; 22 May 2003; 5 August 2003; 21 August 2003; 21 November 2003; 8 December 2003; 10 December 2003; and 20 February 2004
Definitive Proxy Statement on Schedule 14A for 2003 Annual Meeting of Stockholders	Filed on 19 May 2003
Registration Statement on Form 8-A	Filed on 22 January 1999
<b>Merant Filings (File No. 000-19696):</b>	<b>Period</b>
Annual Report on Form 20-F	Year ended 30 April 2003, as filed on 27 October 2003

All additional documents that SERENA or Merant may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this document and prior to the earliest of the date of the completion of the offer or the earlier termination of the offer, shall also be deemed to be incorporated by reference. These include, but are not limited to, periodic reports, such as annual reports on Form 10-K or 20-F, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as proxy statements; provided, however, that we are not incorporating any information furnished under either Item 9 or Item 12 of any current report on Form 8-K.

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We have supplied all information contained or incorporated by reference in this document relating to us and Merant has supplied all such information relating to Merant.

**Table of Contents**

You can obtain any of the documents we are incorporating by reference through us, the SEC or the SEC's Internet website as described above. Documents incorporated by reference are available from us without charge, excluding all exhibits unless we have specifically incorporated by reference an exhibit in this document. You may obtain documents incorporated by reference in this document by requesting them in writing or by telephone from us at the following address:

**D.F. KING & CO., INC.**

*North America*  
48 Wall Street

New York, NY 10005

Toll Free: 1 (800) 859-8509

Banks and Brokers: 1 (212) 269-5550

*Europe*

No. 2 London Wall Buildings

London Wall, London EC2M 5PP

Toll Free, UK: 0800 917 8414

Call Collect: +44 20 7920 9700

If you request any incorporated documents from us, we will mail them to you by first-class mail, or other equally prompt means, within one business day of receipt of your request.

You should rely only on the information contained or incorporated by reference in this document to decide whether to accept the offer. We have not authorised anyone to provide you with information that is different from what is contained in this document. You should not assume that the information contained in this document is accurate as at any date other than the date on the front of this document unless the information specifically indicates that another date applies, and neither the mailing of this document to the Merant securityholders nor the issuance of SERENA shares pursuant to the offer shall create any implication to the contrary.

**Table of Contents**

**LETTER OF RECOMMENDATION FROM THE CHAIRMAN OF**

**MERANT plc**

(incorporated in England and Wales with registered number 1709998)

Abbey View

Everard Close

St. Albans, Herts, AL12PS

United Kingdom

18 March 2004

To all holders of Merant plc securities and, for information only, to participants in the Merant share schemes

**SERENA SOFTWARE, INC.**

**RECOMMENDED CASH AND SHARE OFFER FOR**

**THE ENTIRE ISSUED AND TO BE**

**ISSUED SHARE CAPITAL OF**

**MERANT PLC**

Dear Securityholder,

**1. INTRODUCTION**

On 3 March 2004, we announced that your board and the board of SERENA had reached agreement on the terms of a recommended cash and share offer for the entire issued and to be issued share capital of Merant. I am writing to explain the background to the transaction and the reasons why the Merant board of directors unanimously recommends that Merant securityholders accept the offer.

Further details of the offer are set out in the letter from Lehman Brothers and in Appendix 1 of this document.

## 2. TERMS OF THE OFFER

The offer, which is subject to the conditions and further terms set out in the letter from Lehman Brothers, Appendix 1 and the accompanying form of acceptance or letter of transmittal is made on the following basis:

<b>for every 1 Merant share</b>	<b>136.5 pence in cash and 0.04966 of a new SERENA share</b>
<b>for every 1 Merant ADS (each Merant ADS representing 5 Merant shares)</b>	<b>682.5 pence in cash and 0.2483 of a new SERENA share</b>

The offer is based on a valuation of 195 pence for each Merant share. On this basis, the offer values the entire issued share capital of Merant at approximately £206 million (US\$380 million). This is based on an exchange rate of US\$1.8488 : £1.00, calculated at the average of the US dollar / pound sterling noon buying rate for the five trading days ended 3 March 2004 and the price per SERENA share of US\$21.78, calculated as the average of the closing prices of one SERENA share as reported on Nasdaq for the twenty United States trading days ended 1 March 2004. As at 31 January 2004 Merant had net cash and equivalents of £38.8 million (US\$70.7 million based on an exchange rate of US\$1.8202 : £1.00).

SERENA is offering a mix and match election under which Merant securityholders who validly accept the offer may request to vary the proportions in which they receive SERENA shares and cash in respect of their Merant shares and Merant ADSs. A shareholder who successfully elects all cash would receive 195 pence in cash for every 1 Merant share. A shareholder who successfully elects to receive all SERENA shares would receive 0.16553 of a new SERENA share for every 1 Merant share.

## **Table of Contents**

At 195 pence for each Merant share, the offer represented a premium of approximately:

25 per cent. to the middle market closing price of 155.5 pence per Merant share on 2 March 2004, the last dealing day prior to the announcement of the offer; and

34 per cent. to the average daily middle market closing price of 145.8 pence per Merant share for the three months ended 2 March 2004.

On 15 March 2004 (the latest practicable date prior to the posting of this document), at the then prevailing noon buying rate of US\$1.7993: £1.00 and a SERENA share price of \$19.68, the offer values each Merant share at 190.8 pence, representing a premium of approximately 23 per cent. to the middle market closing price of 155.5 pence per Merant share on 2 March 2004, the last dealing day prior to the announcement of the offer.

### **3. BACKGROUND TO AND REASONS FOR RECOMMENDING ACCEPTANCE OF THE OFFER**

The acquisition of Merant by SERENA will create the second largest provider of ECM software solutions, serving the complex change management needs of at least 46 of the Fortune 50 largest companies worldwide, with a resulting combined installed base of over 15,000 customers. SERENA believes this installed base will provide the combined company with distribution leverage to cross sell products, expand into new geographies, create new opportunities in channel development and generate a profitable and steady maintenance revenue stream.

The combination brings together two leaders in ECM with the complementary strengths of SERENA on mainframe platforms and Merant on distributed systems and similar visions for future market share expansion.

The boards of directors of SERENA and Merant believe the combination should deliver significant strategic benefits and provide opportunities to reduce expenses and that the combined company would:

create the leading ECM vendor with integrated software solutions running on all major operating systems, from the mainframe to UNIX, LINUX and NT distributed systems environments all the way to the worldwide web;

combine SERENA's market leading mainframe SCM product, with Merant's market leading enterprise distributed SCM product;

deepen and strengthen the customer base by combining SERENA's more than 3,600 customers with Merant's more than 15,000 customer accounts;

accelerate SERENA's ability to offer customers its vision of application life cycle management solutions branded as SERENA's Application Framework for Enterprises (SAFE), thereby accessing larger markets and enabling the combined company to compete more effectively; and

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offer significant potential cost savings in the areas of overlap such as dual exchange listing, dual public company compliance obligations and dual administrative infrastructures as well as a number of other duplicative areas and initiatives.

Both SERENA and Merant have been pursuing similar strategies and strategic investments to enable the application of change management technology beyond SCM to broader applications within information technology.

#### **4. MANAGEMENT AND EMPLOYEES**

SERENA recognises the importance to Merant's business of the skills and experience of Merant's management team and employees.

SERENA has given assurances to the Merant board that the existing employment rights, including pension rights, of the management and employees of Merant will be fully honoured.

## **Table of Contents**

Gerald Perkel, president and chief executive officer of Merant, has agreed to join the board of SERENA as a director subject to the offer becoming or being declared unconditional in all respects.

### **5. CURRENT TRADING**

On 3 March 2004, Merant announced its financial results for the third quarter of fiscal 2004. The statement on the business outlook is set out in Appendix 3.

### **6. TAXATION**

Your attention is drawn to paragraphs 16 and 17 of the letter from Lehman Brothers headed *United Kingdom Taxation* and *United States Federal Taxation*. This information is included as guidance only and you should consult an independent professional advisor in light of your particular circumstances.

### **7. MERANT SHARE SCHEMES**

The offer will extend, subject to the terms and conditions set forth in this document and acceptance form(s), to all Merant shares unconditionally allotted or issued fully paid (or credited as fully paid) upon exercise of options under the Merant share schemes while the offer remains open for acceptance (or until such earlier date as SERENA may, subject to the provisions of the City Code, determine). Further details of the proposals to be made to the holders of options under the Merant share schemes are set out in paragraph 11 of the letter from Lehman Brothers.

### **8. IRREVOCABLE UNDERTAKINGS AND CONFIRMATIONS OF INTENT TO ACCEPT THE OFFER**

SERENA has received irrevocable undertakings to accept the offer representing approximately 7.4 per cent. of Merant's existing issued share capital. SERENA has also received confirmations of intent to accept the offer, representing in aggregate approximately 27.3 per cent. of Merant's existing issued share capital. The Merant securityholders from whom SERENA has received undertakings and confirmations of intent (including a confirmation of intent from Schroder Investment Management Limited), hold an aggregate of 34.61 per cent. of the issued share capital of Merant as at 15 March 2004.

Merant directors have irrevocably undertaken to accept the offer in respect of their own beneficial holdings, comprising 381,389 Merant shares in aggregate (representing approximately 0.36 per cent. of Merant's existing issued share capital). Merant Trustees Limited has irrevocably undertaken to accept the offer in respect of its beneficial holdings, comprising 7,415,488 Merant shares (representing approximately 7.0 per cent. of Merant's existing issued share capital).

One Merant director, Gerald Perkel, has also irrevocably undertaken to accept the offer in respect of all Merant shares he receives as a result of the exercise of options during the period whilst the offer is open for acceptance, representing up to 1,500,000 Merant shares. No other Merant

director holds any options over Merant shares.

The undertakings provided by the Merant directors cease to be binding only if the offer lapses or is withdrawn. The undertaking provided by Merant Trustees Limited ceases to be binding in the same circumstances as those provided by the Merant directors but in addition will lapse if a higher offer is made by a third party (i) which is recommended by Merant and SERENA has not increased its offer within 7 days; or (ii) which is declared unconditional in all respects.

The confirmations of intent are non-legally binding statements of current intention. See paragraph 5 to the letter from Lehman Brothers for further details regarding the undertakings.

**Table of Contents**

**9. INDUCEMENT FEE**

In consideration of, and as an inducement to, SERENA making the offer, Merant has agreed to pay SERENA a fee of £2.06 million (US\$3.71 million based on a noon buying rate of US\$1.7993 : £1.00 as at 15 March 2004, the latest practicable date prior to the posting of this document) in certain limited circumstances. Save in certain limited circumstances including failure to obtain approval for the offer under the HSR Act or other applicable antitrust law, this fee is payable on either of the following events:

- (a) if a higher competing offer or other competing transaction (or an intention to do either) is publicly announced by a third party and the Merant board fails to reaffirm its unanimous recommendation of the offer and subsequently the offer lapses or is withdrawn; or
- (b) if the board of Merant withdraws or modifies its recommendation of the offer by SERENA.

**10. ACTION TO BE TAKEN TO ACCEPT THE OFFER**

The procedures for acceptance of the offer are described beginning on page I-21 of Appendix 1 and in the accompanying acceptance form. In order to accept the offer, you should ensure that you return your completed acceptance form as soon as possible and, in any event, so as to be received by no later than 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004.

If you are in any doubt about the action you should take, you are recommended immediately to seek your own independent advice from your stockbroker, bank manager, solicitor, accountant or other duly authorised independent professional advisor.

**11. RECOMMENDATION**

**The Merant board, who have been so advised by UBS, its financial advisor, considers the terms of the offer fair from a financial point of view. In providing advice to the directors, UBS has taken account of the directors' commercial assessments. Merant securityholders are directed to Appendix 9, which contains important information concerning the assumptions in, limitations of and qualifications to UBS advice to the Merant board.**

**Accordingly, the Merant directors unanimously recommend that Merant securityholders accept the offer. The directors of Merant have irrevocably undertaken to accept the offer in respect of their own personal holdings.**

Yours sincerely,

/s/ J. Michael Gullard

J. Michael Gullard

Chairman

**Table of Contents**

18 March 2004

To all holders of Merant securities and, for information only, to participants in the Merant share schemes

Dear Sir or Madam,

**SERENA SOFTWARE, INC.**  
**RECOMMENDED CASH AND SHARE OFFER FOR**  
**ALL OF THE ISSUED AND TO BE**  
**ISSUED SHARE CAPITAL OF**  
**MERANT PLC**

**1. INTRODUCTION**

On 3 March 2004, the boards of SERENA Software, Inc. and Merant plc announced that they had reached agreement on the terms of a recommended cash and share offer for the entire issued and to be issued share capital of Merant, including Merant shares represented by Merant ADSs. This letter and Appendix 1 to this document contain the formal terms and conditions of the offer to be made by Lehman Brothers on behalf of SERENA (except in the United States, where SERENA is making the offer on its own behalf) and should be read in conjunction with the accompanying acceptance form.

Your attention is drawn to the letter from the Chairman of Merant beginning on page 30 of this document which states that the directors of Merant, who have been so advised by UBS, their financial advisor, consider the terms of the offer fair from a financial point of view. In providing advice to the directors of Merant, UBS has taken account of the commercial assessments of the directors of Merant. Accordingly, the directors of Merant unanimously recommend that all Merant securityholders accept the offer, as they have irrevocably undertaken to do themselves in respect of their aggregate holdings of 381,389 Merant shares. Merant securityholders are directed to Appendix 9, which contains important information concerning the assumptions in, limitations of and qualifications to UBS' advice to the Merant board.

**To accept the offer, Merant securityholders must complete the appropriate acceptance procedures by no later than 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004.** The procedures for acceptance of the offer are described in paragraphs 10, 11 and 12 of Part B of Appendix 1 and in the accompanying acceptance form or letter of transmittal.

**2. THE OFFER**

SERENA (and Lehman Brothers on behalf of SERENA outside the United States) hereby offer to acquire, subject to the conditions and the further terms set out or referred to in this document and in the relevant acceptance form, all of the Merant securities on the following basis:

<b>for every 1 Merant share</b>	<b>136.5 pence in cash and 0.04966 of a new SERENA share</b>
<b>for every 1 Merant ADS (each Merant ADS representing 5 Merant shares)</b>	<b>682.5 pence in cash and 0.2483 of a new SERENA share</b>

The offer is based on a valuation of 195 pence for each Merant share. On this basis, the offer values the entire issued share capital of Merant at approximately £206 million (US\$380 million). This is based on an exchange rate of US\$1.8488 : £1.00, calculated as the average of the US dollar / pound sterling noon buying rate for the five trading days ended 3 March 2004 and the price per SERENA share of US\$21.78, calculated as the average of the closing prices of one SERENA share as reported on Nasdaq for the twenty United States trading days ended 1 March 2004.

LEHMAN BROTHERS EUROPE LIMITED

25 BANK STREET LONDON E14 5LE TELEPHONE +44 (0)20 7102 1000

AUTHORISED AND REGULATED BY THE FINANCIAL SERVICES AUTHORITY.

REGISTERED IN ENGLAND NO 3950078 AT THE ABOVE ADDRESS.

## **Table of Contents**

On 15 March 2004 (the latest practicable date prior to the posting of this document), at the then prevailing noon buying rate of US\$1.7993: £1.00 and a SERENA share price of \$19.68, the offer values each Merant share at 190.8 pence, representing a premium of approximately 23 per cent. to the middle market closing price of 155.5 pence per Merant share on 2 March 2004, the last dealing day prior to the announcement of the offer.

SERENA expects that the number of SERENA shares that will be issued on full acceptance of the offer will not exceed 5.9 million (representing approximately 13.3 per cent. of the issued and outstanding SERENA shares, as increased as a result of the offer, calculated as at 15 March 2004).

The new SERENA shares issued to Merant securityholders who accept the offer will be credited as fully paid, will rank pari passu in all respects with existing SERENA shares and will be entitled to all dividends and other distributions declared, made or paid after 3 March 2004. Appropriate adjustments to the number of SERENA shares paid in the offer will be made if SERENA effects a stock split, stock dividend or reverse stock split. The new SERENA shares are expected to be authorised for listing, subject to official notice of issuance, on Nasdaq. It is not expected that application will be made for the new SERENA shares to be admitted to dealings on any other stock exchange.

The Merant shares will be acquired by SERENA pursuant to the offer fully paid and free from all liens, charges, equitable interests, encumbrances and other third party rights and interests of any nature and together with all rights attaching thereto from 3 March 2004, including the right to receive and retain all dividends and other distributions (if any) declared, made or payable after 3 March 2004, the date of the announcement of the offer.

Fractions of new SERENA shares will not be issued to accepting Merant securityholders. To the extent that Merant securityholders are entitled to fractional shares, those fractional entitlements will be aggregated and sold in the market and the net proceeds of sale distributed pro rata to the holders of Merant shares and Merant ADSs entitled to them. In the case of holders of Merant ADSs, such payment will be made in US dollars, and in the case of holders of Merant shares, such payment will be made in pounds sterling, the applicable proceeds having been converted from US dollars at a prevailing exchange rate selected by SERENA at the relevant time. Individual entitlements to amounts of less than £2.50 (US \$4.50 based on a noon buying rate of US\$1.7993 : £1.00 as at 15 March 2004, the latest practicable date prior to the posting of this document) will not be paid to Merant securityholders, but will be retained for the benefit of the combined companies.

If sufficient acceptances are received and/or sufficient Merant shares and Merant ADSs are otherwise acquired, SERENA intends to apply the provisions of Sections 428 to 430F (inclusive) of the Companies Act to acquire compulsorily any outstanding Merant shares and Merant ADSs to which the offer relates.

When the offer becomes or is declared unconditional in all respects, SERENA intends to procure the making of an application by Merant for the removal of Merant shares from the Official List of the UK Listing Authority and for the cancellation of trading in Merant shares on the London Stock Exchange's market for listed securities. It is anticipated that cancellation of listing and trading will take effect no earlier than 20 business days after the offer becomes or is declared unconditional in all respects. In such circumstances SERENA also intends to apply for delisting of the Merant ADSs from Nasdaq. Such delistings and cancellation would significantly reduce the liquidity and marketability of any Merant securities in respect of which the offer has not been accepted.

### **3. BACKGROUND TO AND REASONS FOR THE OFFER**

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The acquisition of Merant will create the second largest provider of ECM software solutions, serving the complex change management needs of at least 46 of the Fortune 50 largest companies worldwide, with a resulting combined installed base of over 15,000 customers. SERENA believes this installed base will provide the combined company with distribution leverage to cross sell products, expand into new geographies, create new opportunities in channel development and generate a profitable and steady maintenance revenue stream.

## **Table of Contents**

The combination brings together two leaders in ECM with the complementary strengths of SERENA on mainframe platforms and Merant on distributed systems platforms and similar visions for future market share expansion.

The boards of directors of SERENA and Merant believe the combination should deliver significant strategic benefits and provide opportunities to reduce expenses and that the combined company would:

create the leading ECM vendor with integrated software solutions running on all major operating systems, from the mainframe to UNIX, LINUX and NT distributed systems environments all the way to the worldwide web;

combine SERENA's market leading mainframe SCM product, with Merant's market leading enterprise distributed SCM product;

deepen and strengthen the customer base by combining SERENA's more than 3,600 customers with Merant's more than 15,000 customer accounts;

accelerate SERENA's ability to offer customers its vision of application life cycle management solutions branded as SERENA's Application Framework for Enterprises (SAFE), thereby accessing larger markets and enabling the combined company to compete more effectively; and

offer significant potential cost savings in the areas of overlap such as dual exchange listing, dual public company compliance obligations and dual administrative infrastructures as well as a number of other duplicative areas and initiatives.

Both SERENA and Merant have been pursuing similar strategies and strategic investments to enable the application of change management technology beyond SCM to broader applications within information technology.

## **4. MIX AND MATCH ELECTION**

Merant securityholders who validly accept the offer will be able to request under the mix and match election to vary the proportions in which they receive SERENA shares and cash in respect of their Merant securities.

The maximum number of new SERENA shares to be issued under the offer and the maximum amount of cash to be paid under the offer will not be varied as a result of the mix and match election. Accordingly, a Merant securityholder's mix and match election will be satisfied only to the extent that other Merant securityholders make opposite elections. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata basis. To the extent that elections can be satisfied, electing Merant securityholders will receive new SERENA shares instead of cash, and vice versa.

Accordingly, Merant securityholders who make mix and match elections will not know the exact number of new SERENA shares or the amount of cash they will receive until settlement of the consideration under the offer, although an announcement of the approximate extent to which mix and match elections will be satisfied will be made two days after the mix and match election ceases to be open for acceptance.

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All adjustments to the amount of cash or SERENA shares received by any Merant securityholder in the mix and match election will be calculated based on a value per Merant share of 195 pence and a value per SERENA share of £11.78. This is based on an exchange rate of US \$1.8488 : £1.00, which is calculated as the average of the dollar/pound sterling noon buying rate for the five trading days ended 3 March 2004 and price per SERENA share of US\$21.78, which is calculated as the average of the closing prices of one SERENA share as reported on Nasdaq for the twenty US trading days ended on 1 March 2004.

Although the offer will remain open for a subsequent offer period of at least 14 calendar days after the date on which the offer becomes or is declared unconditional in all respects, the mix and match election will remain

**Table of Contents**

open until, but not beyond, 3.00 pm (London time), 10.00 am (New York City time), on the date falling five calendar days after the offer becomes or is declared unconditional in all respects. Mix and match elections must be made at the same time as the acceptances of the offer to which they relate, on the relevant acceptance form. Merant securityholders who do not make a mix and match election or who do not accept the offer until after the fifth calendar day after the offer becomes or is declared unconditional in all respects will receive the basic entitlement of 136.5 pence in cash and 0.04966 new SERENA shares for every Merant share held (directly or through Merant ADSs).

A mix and match election made by a Merant securityholder may not be changed after the time that it is first made on the relevant acceptance form. However, acceptances, including the associated mix and match election, may be withdrawn in accordance with the procedures in paragraph 4 of Part B of Appendix 1. This right of withdrawal, except in the limited circumstances set out in paragraphs 4 (b), (c) and (d) of Part B of Appendix 1, terminates at the time that the offer becomes unconditional in all respects (i.e. at the end of the initial offer period). Accordingly, mix and match elections made in the five calendar day period between the end of the initial offer period and the time and date at which the mix and match election ceases to be open for acceptance cannot be changed or withdrawn.

The mix and match election is conditional upon the offer becoming or being declared unconditional in all respects. See paragraph 5 of part B of Appendix 1 of this document which sets out the procedure for making a mix and match election.

**5. UNDERTAKINGS AND CONFIRMATIONS OF INTENT TO ACCEPT THE OFFER**

SERENA has received undertakings and confirmations of intent to accept the offer from certain Merant securityholders as set out below. The percentage figures are based on the number of Merant shares in issue on 15 March 2004, being the latest practicable date prior to the posting of this document.

<u>Shareholder</u>	<u>Number of Merant shares</u>	<u>Per cent.</u>	<u>Options</u>
<b><u>Undertakings</u></b>			
J Michael Gullard	126,774	0.12	
Michel Berty	24,758	0.02	
Harold Hughes	134,758	0.13	
Barry Lynn	24,758	0.02	
Gerald Perkel	45,583	0.04	1,500,000(1)
Don Watters	24,758	0.02	
Merant Trustees Limited	7,415,488	7.00	
<b>Total Undertakings</b>	<b>7,796,877</b>	<b>7.36</b>	
<b><u>Confirmations of Intent</u></b>			
Merant Securityholders(2)	28,862,097	27.25	
<b>Total</b>	<b>36,658,974</b>	<b>34.61</b>	

(1) Does not include options to purchase Merant shares outstanding under Merant's employee benefit trusts. The Merant shares that are held by the employee benefit trusts are the subject of a separate irrevocable undertaking of Merant Trustees Limited.

(2) Including Schroder Investment Management Limited who hold 22,135,805 Merant shares (20.9 per cent.)





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In the quarters ended 31 January 2004 and 2003, SERENA reported the following results (in millions of US Dollars, except per share data):

	<b>Quarter ended</b>	<b>Quarter ended</b>
	<b>31 January 2004</b>	<b>31 January 2003</b>
Revenues	29.6	26.1
Profit before tax	9.3	10.8
Charge for tax	3.4	4.0
Net profit after tax	6.0	6.8
Earnings per share	0.15	0.17

As at 31 January 2004, SERENA had total cash and cash equivalents of US\$377 million.

Further information with respect to SERENA is set forth in Appendix 2 to this document.



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SERENA recognises the importance to Merant's business of the skills and experience of Merant's management team and employees.

SERENA has given assurances to the Merant board that the existing employment rights, including pension rights, of the management and employees of Merant will be fully honoured.

Gerald Perkel, President and Chief Executive Officer of Merant, has agreed to join the board of SERENA as a director subject to the offer becoming or being declared unconditional in all respects.

### **11. MERANT SHARE SCHEMES**

The offer extends, subject to the terms and conditions set forth in this document and acceptance form(s), to all Merant shares unconditionally allotted or issued fully paid (or credited as fully paid) upon exercise of options

## **Table of Contents**

under the Merant share schemes while the offer remains open for acceptance (or until such earlier date as SERENA may, subject to the provisions of the Code, determine). Appropriate proposals will be made to holders of options under the Merant share schemes as outlined below. For these purposes, the Merant share schemes can be divided into three categories, namely (a) Employee Benefit Trust, referred to as EBT, options, (b) Employee Stock Purchase Plan, and (c) options granted pursuant to Merant share schemes not associated with the Employee Benefit Trust, or Non-EBT options.

### **(a) Employee Benefit Trust**

There are two trusts established in 1994 and 2003 and in respect of both Merant Trustees Limited is the Trustee.

Merant Trustees Limited has given an irrevocable undertaking to accept the offer in respect of all the Merant shares it holds. Merant Trustees Limited intends to use the cash it receives under the offer to provide cash cancellation of outstanding options based upon the difference between an offer value per Merant share of 195 pence and the exercise price for each option held. Further details of this proposal will be sent to optionholders in due course.

### **(b) Employee Stock Purchase Plan**

In accordance with the terms of the plan, SERENA will assume the obligation to satisfy outstanding participation rights by the issue of an appropriate number of SERENA shares. Merant Trustees Limited will receive SERENA shares under the offer and has agreed to use such SERENA shares to satisfy the participation rights to the maximum extent they can after settlement of their other outstanding obligations and trust expenses.

### **(c) Non-EBT Options**

Optionholders will hold interests which fall into one or more of the following categories:

1. options which are already vested; or
2. options which are not already vested but which vest on a change of control (i.e. when the offer is declared wholly unconditional); or
3. options which are not already vested and which do not vest on a change of control.

All optionholders (both vested and unvested) will be invited to rollover their options over Merant shares into options over SERENA shares on terms which reflect the value of the offer based on a value per Merant share of 195 pence and a value per SERENA share of £11.78. Further details will be sent to optionholders in due course.

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Optionholders whose options are already vested are able to exercise their options at any time during the initial offer period and accept the offer whilst it is open, including participation in the mix and match election at their election while it is still available.

It is intended that optionholders whose options vest when the offer becomes or is declared wholly unconditional will be offered a facility to enable them to accept the offer in time to participate in the mix and match election.

Merant and SERENA have agreed to give effect to optionholders' pre-existing contractual rights to exercise their options on a cashless basis and to work together to try to provide a cashless exercise facility on a similar basis to optionholders who do not have a pre-existing contractual right to do so.

No cash cancellation will be offered by SERENA except that, in the case of employees resident in jurisdictions outside the US and the UK where it is not practicable to allow such optionholders to participate in the above arrangements, cash cancellation of their options, if and to the extent permitted by applicable law or regulations, may be implemented. If such cash cancellation is not possible then alternative arrangements complying with applicable law and approved by Merant and the Panel may be implemented instead.

Further details of these arrangements will be sent to optionholders in due course.

**Table of Contents****12. FINANCIAL EFFECTS OF ACCEPTANCE**

The following table sets out, for illustrative purposes only and on the bases and assumptions set out below, the financial effects of acceptance on capital value for an accepting Merant shareholder, if the offer becomes or is declared unconditional in all respects. Since neither SERENA nor Merant has declared or paid dividends, there are no financial effects on income for an accepting Merant shareholder.

**CHANGE IN CAPITAL VALUE**

	(A)	(B)
	pence	pence
Market value of 0.04966 of a new SERENA share (Note (i))	58.5	58.5
Cash consideration per Merant share	136.5	136.5
Market value of a Merant share (Note (ii))	155.5	189.5
Increase / (decrease) in capital value	39.5	5.5
This represents an increase / (decrease) of	25.4 per cent.	2.9 per cent.

**Notes**

- (i) This is based on an exchange rate of US\$1.8488 : £1.00 which is calculated as the average of the US dollar/pound sterling noon buying rate for the five trading days ended 3 March 2003 and price per SERENA share of US\$21.78, which is calculated as the average closing price of SERENA shares as reported on Nasdaq for the 20 United States trading days ended on 1 March 2004.
- (ii) Column (A) is based on the closing price of 155.5 pence per Merant share on 2 March 2004 (the last dealing day prior to the announcement of the offer). Column (B) is based on the closing price of 189.5 pence per Merant share on 15 March (the latest practicable date prior to the posting of this document).
- (iii) No account has been taken of any liability for taxation or the treatment of fractions of Merant shares in assessing the financial effects of accepting the offer.

On 15 March 2004 (the latest practicable date prior to the posting of this document), at the then prevailing noon buying rate of US\$1.7993 : £1.00 and a SERENA share price of \$19.68, the offer values each Merant share at 190.8 pence.

SERENA has never declared or paid any cash dividends on its shares and does not anticipate paying cash dividends in the foreseeable future.

**13. PROCEDURES FOR ACCEPTANCE OF THE OFFER**

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To accept the offer, you must complete the appropriate acceptance procedures by no later than 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004. The procedures for acceptance of the offer are described in detail beginning on page I-21 of Appendix 1 and in the notes and instructions of the accompanying acceptance form or letter of transmittal.

### **14. RIGHTS OF WITHDRAWAL**

Except to the extent of exemptive relief which may be granted by the SEC, the offer is subject to the US tender offer rules applicable to securities registered under the Exchange Act, as well as to the City Code. This has necessitated a number of changes from the procedures which normally apply to offers for companies governed by the City Code, including those applicable to the rights of holders of Merant securities to withdraw their acceptance of the offer.

Under the offer, holders of Merant securities will be able to withdraw their acceptances at any time during the initial offer period but will not have any withdrawal rights during the subsequent offer period, except in certain limited circumstances (see paragraphs 4(c) and (d) of Part B of Appendix 1 to this document).

The offer will be deemed not to have been validly accepted in respect of any Merant securities acceptances in respect of which have been validly withdrawn. However, the offer may be accepted again in respect of any

## **Table of Contents**

withdrawn Merant securities following one of the procedures described in paragraphs 10, 11 or 12 of Part B of Appendix 1 to this document at any time prior to expiry or lapse of the offer.

Further details of these rights of withdrawal and the procedure for effecting withdrawals are set out in paragraph 4 of Part B of Appendix 1 to this document.

## **15. SETTLEMENT**

### **(a) Date of Payment**

The settlement procedure with respect to the offer will be consistent with UK practice, which differs from US domestic tender offer procedures in certain material respects, particularly with regard to the date of payment.

Subject to either the satisfaction, fulfillment or, to the extent permitted, waiver of all of the conditions, settlement of consideration to accepting Merant securityholders, including accepting holders of Merant ADSs, or their designated agents will be effected in the manner set out below:

- (i) in the case of acceptances received complete in all respects by the end of the initial offer period, within 14 calendar days after such date; or
- (ii) in the case of acceptances received complete in all respects after such date but while the offer remains open for acceptance, within 14 calendar days after such receipt, in the manner set out below.

### **(b) Merant shares in uncertificated form (that is, in CREST)**

Where an acceptance relates to Merant shares in uncertificated form:

- (i) the new SERENA shares to which the accepting Merant securityholder is entitled under the offer will be issued to such shareholder in certificated form and share certificates and/or other documents of title will be dispatched by post (or by such other method as may be approved by the Panel); and
- (ii) the cash consideration to which an accepting Merant securityholder is entitled will be paid by means of a CREST payment obligation in favour of the accepting Merant securityholder's payment bank in respect of the cash consideration due, in accordance with the CREST payment arrangements.

SERENA reserves the right to settle all or any part of the cash consideration referred to above, for all or any accepting Merant securityholder(s), in the manner referred to in paragraph (c) below, if, for any reason, it wishes to do so.

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### (c) Merant shares in certificated form and Merant ADSs

Where an acceptance relates to Merant shares in certificated form or Merant ADSs evidenced by Merant ADRs, the new SERENA shares to which an accepting Merant securityholder is entitled under the offer will be issued to the Merant securityholder in certificated form. Definitive certificates for the new SERENA shares and cheques for cash due will be dispatched by post (or by such other method as may be approved by the Panel).

### (d) Lapsing of the offer

If by the relevant closing date, the conditions are not either satisfied, fulfilled or, to the extent permitted, waived, the offer will lapse unless a later closing date is selected by SERENA and: (i) in respect of Merant shares in certificated form and Merant ADSs, the relevant share certificate(s), Merant ADRs and/or other documents of title will be returned by post (or by such other method as may be approved by the Panel) within 14 calendar days after the offer lapsing to the person or agent whose name and address (outside Canada, Australia or Japan) is set out in Box 2 (or, if applicable, Box 8) of the form of acceptance or to the person or agent whose name and address (outside Canada, Australia or Japan) is set out in the letter of transmittal (as applicable) or, if none is set out, to the name and address of the person who is the first named holder at the holder's registered address; (ii) in

**Table of Contents**

respect of Merant shares in uncertificated form (that is, in CREST), the UK Receiving Agent will, immediately after the lapsing of the offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days after the lapsing of the offer), give transfer from escrow instructions to CRESTCo to transfer all relevant Merant shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the offer to the original available balances of the holders of Merant shares concerned; and (iii) in respect of Merant ADSs delivered by book-entry transfer into the US Depository's account at a Book-Entry Transfer Facility, Merant ADSs will be credited to an account maintained at the appropriate Book-Entry Transfer Facility.

Further information on the lapsing of the offer is set out in paragraph 8 of Part B of Appendix 1 to this document.

(e) General

All documents and remittances sent by, to or from Merant securityholders or their appointed agents will be sent at their own risk.

All mandates, instructions and other instruments in force immediately before the offer becomes unconditional relating to holdings of Merant securities will, unless and until revoked, continue in force in relation to payments and notices in respect of new SERENA shares issued under the offer in each case insofar as relevant. If a Merant securityholder has existing SERENA shares, the mandates, instructions and instruments in force for the existing SERENA shares will supersede the mandates, instructions and instruments for the Merant securities.

(f) Currency of cash consideration

Instead of receiving cash consideration to which they are entitled in pounds sterling, Merant shareholders who so wish may elect to receive US dollars. If a Merant shareholder so elects, the amount of pounds sterling to which such shareholder is entitled will be converted, subject to conversion expenses, from pounds sterling to US dollars at the exchange rate obtainable by the UK Receiving Agent on the spot market in London at approximately noon (London time) on the date the cash consideration is made available by SERENA to the relevant payment agent for delivery in respect of the relevant Merant shares. A Merant shareholder may receive such amount on the basis set out above only in respect of the whole of the shareholder's holding of Merant shares in respect of which the shareholder accepts the offer. Merant shareholders may not elect to receive both pounds sterling and US dollars.

Holders of Merant ADSs are entitled under the terms of the offer to receive the cash element of the consideration in pounds sterling. The pounds sterling consideration available to holders of Merant ADSs is the same, per Merant share, as that offered to Merant securityholders. To facilitate the settlement of the offer, unless they elect to receive pounds sterling, holders of Merant ADSs will automatically be deemed to have elected to receive consideration converted into US dollars as described above.

Consideration in US dollars may be inappropriate for Merant securityholders other than persons in the United States and holders of Merant ADSs.

If you are a Merant shareholder and you wish to elect to receive cash consideration in US dollars instead of pounds sterling under the offer, you should complete the appropriate box of the form of acceptance in addition to taking the actions described in paragraphs 10 and 11 of Part B of Appendix 1.

If you are a holder of Merant ADSs and you wish to elect to receive cash consideration in pounds sterling instead of US dollars under the offer, you should complete the appropriate box of your letter of transmittal in addition to taking the actions described in paragraph 12 of Part B of Appendix 1.

**The actual amount of US dollars received will depend upon the exchange rate prevailing on the business day on which funds are made available to the relevant payment agent by SERENA. Merant securityholders should be aware that the US dollar/pounds sterling exchange rate which is prevailing on**

## **Table of Contents**

the date on which an election is made or deemed to be made to receive US dollars and on the dates of dispatch and receipt of payment may be different from that prevailing on the business day on which funds are made available to the relevant payment agent by SERENA. In all cases, fluctuations in the US dollar/pounds sterling exchange rate are at the risk of accepting Merant securityholders who elect or are treated as having elected to receive their consideration in US dollars. Neither SERENA nor any of its advisors or agents shall have any responsibility with respect to the actual amount of cash consideration payable other than in pounds sterling.

### **16. UNITED KINGDOM TAXATION**

Information on the application of current UK tax law and Inland Revenue practice applicable to Merant securityholders who accept the offer is contained in paragraph 14 of Appendix 5 to this document.

### **17. UNITED STATES FEDERAL TAXATION**

Information on the application of current US federal tax law applicable to Merant securityholders who accept the offer is contained in paragraph 15 of Appendix 5 to this document.

**The information in paragraphs 16 and 17 above and paragraphs 14 and 15 of Appendix 5 to this document is provided for guidance only and holders of Merant securities are urged to consult their independent professional advisor in light of their particular circumstances as to the US and UK tax consequences, as well as the effect of any state, local or foreign tax laws.**

### **18. OVERSEAS MERANT SECURITYHOLDERS**

The availability of the offer to persons who are not resident in the United Kingdom or the United States may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom or the United States should inform themselves about and observe any applicable requirements. The attention of Merant securityholders who are citizens or residents of jurisdictions outside the United Kingdom or the United States is drawn to paragraph 9 of Part B of Appendix 1 of this document and to the relevant provisions of the acceptance form.

The offer is not being made, directly or indirectly, in or into Canada, Australia or Japan. Accordingly, any accepting Merant securityholder who is unable to give the representations and warranties set out in paragraphs 11(b) and 12(i)(ii)(dd) (as applicable) of Part B of Appendix 1 to this document may be deemed not to have accepted the offer.

### **19. INDUCEMENT FEE**

In consideration of, and as an inducement to, SERENA making the offer for Merant, Merant has agreed to pay SERENA a fee of £2.06 million (US \$3.71 million based on a noon buying rate of US\$1.7993 : £1.00 as at 15 March 2004, the latest practicable date prior to the posting of this

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document) in certain limited circumstances. Save in certain limited circumstances including failure to obtain approval for the offer under the HSR Act or other applicable antitrust law, this fee is payable on either of the following events:

- (a) if a higher competing offer or other competing transaction (or an intention to do either) is publicly announced by a third party and the Merant board fails to reaffirm its unanimous recommendation of the offer and subsequently the offer lapses or is withdrawn; or
- (b) if the board of Merant withdraws or modifies its recommendation of the offer by SERENA.

**Table of Contents**

**20. FURTHER INFORMATION**

Your attention is drawn to the further information contained in the Appendices which form part of this document, and to the accompanying acceptance form, which should be read in conjunction with this document. The Appendices and the acceptance form contain material information which may not be summarised elsewhere.

**21. ACTION TO BE TAKEN**

**You are urged to complete, sign and return the form of acceptance or letter of transmittal (as appropriate), together with all the required documents, as soon as possible and, in any event, so as to be received by the UK Receiving Agent or the US Depositary, as appropriate, by no later than 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004.**

Yours sincerely,

/s/ Keith Jue

for and on behalf of

LEHMAN BROTHERS

Keith Jue

Managing Director

**Table of Contents**

**APPENDIX 1**

**CONDITIONS AND FURTHER TERMS OF THE OFFER**

**PART A CONDITIONS OF THE OFFER**

This offer, which is being made by SERENA on its own behalf in the United States and by Lehman Brothers on behalf of SERENA outside of the United States, is subject to the following conditions:

- (a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 3.00 pm (London time), 10.00 am (New York City time), on the first closing date of the offer (or such later time(s) and/or date(s) as SERENA may, subject to the rules of the City Code or with the consent of the Panel and in accordance with the Exchange Act, decide) in respect of not less than 90 per cent. (or such lower percentage as SERENA may decide) in nominal value of the Merant securities to which the offer relates, provided that this condition will not be satisfied unless SERENA (together with any of its wholly-owned subsidiaries) shall have acquired or agreed to acquire, whether pursuant to the offer or otherwise, Merant securities carrying, in aggregate, more than 50 per cent. of the voting rights then exercisable at general meetings of Merant, including for this purpose (to the extent, if any, required by the Panel) any such voting rights attaching to any Merant securities which are unconditionally allotted or issued before the offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding conversion or subscription rights or otherwise and; for this purpose:
  - (i) the expression Merant securities to which the offer relates shall be construed in accordance with sections 428 to 430F of the Companies Act; and
  - (ii) Merant securities which have been unconditionally allotted shall be deemed to carry the voting rights which they will carry upon issue;

provided that, unless SERENA otherwise determines, this condition (a) shall be capable of being satisfied only at a time when all of the other conditions (b) to (k) inclusive have been either satisfied, fulfilled or, to the extent permitted, waived;

- (b) the new SERENA shares having been authorised for listing, subject to official notice of issuance, on Nasdaq and the Registration Statement having been declared effective;
- (c) no Third Party having taken, instituted, implemented or threatened in writing any action, proceedings, suit, investigation or enquiry, or made, proposed or enacted, any statute, regulation or order or taken any other steps and there continuing not to be outstanding any statute, regulation, order or other matter which in each case would reasonably be expected to:
  - (i) make the offer, its implementation or the acquisition or proposed acquisition by SERENA or any US or UK subsidiary of SERENA of any or all shares or other securities in (or the equivalent), or control or management of, Merant or any member of the Wider Merant Group void, illegal or unenforceable in or under the laws of any relevant jurisdiction, or otherwise directly or indirectly materially restrain, prevent, prohibit, materially restrict or materially delay the same or impose additional material conditions or obligations with respect to the offer or such acquisition, or otherwise materially impede, challenge or interfere with the offer or such acquisition, or require material amendment to the terms of the offer or the acquisition or proposed acquisition of any Merant

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securities or the acquisition of control of Merant or the Wider Merant Group by SERENA;

- (ii) limit or delay the ability of any member of the SERENA Group or any member of the Wider Merant Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise voting or management control over, any member of the Wider Merant Group or any member of the SERENA Group to an extent which is material in the context of the offer;

I-1

**Table of Contents**

- (iii) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the SERENA Group of any shares or other securities (or the equivalent) in Merant to an extent which is material in the context of the offer;
  - (iv) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the SERENA Group or by any member of the Wider Merant Group of all or any portion of their respective businesses, assets or properties or limit the ability of any of them to conduct any of their respective businesses or to own or control any of their respective assets or properties or any part thereof to an extent which is material in the context of the Wider Merant Group taken as a whole or the SERENA Group taken as a whole;
  - (v) except pursuant to Part XIII A of the Companies Act, require any member of the SERENA Group or of the Wider Merant Group to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in any member of either group owned by any third party or to sell or offer to sell any shares or other securities (or the equivalent in), or any asset of any member of the Wider Merant Group to an extent which is material in the context of the Wider Merant Group taken as a whole or the SERENA Group taken as a whole;
  - (vi) limit the ability of any member of the SERENA Group or of the Wider Merant Group to conduct or integrate or coordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the SERENA Group or of the Wider Merant Group to an extent which is material in the context of the offer;
  - (vii) result in any member of the SERENA Group or the Wider Merant Group ceasing to be able to carry on business under any name under which it presently does so to an extent which is material in the context of the Wider Merant Group taken as a whole or the SERENA Group taken as a whole;
  - (viii) otherwise adversely affect the business, assets, profits, financial or trading position of any member of the Wider Merant Group or of the SERENA Group to an extent which is material in the context of the offer; and
  - (ix) all applicable time periods during which any Third Party could decide to take, institute or threaten any such action, proceeding, suit, investigation, enquiry or reference or otherwise intervene under the laws or regulations of any relevant jurisdiction having expired, lapsed or been terminated;
- (d) without limitation to condition (c) above:
- (i) all filings having been made and all or any applicable waiting periods and other time periods (including any extensions thereof) under the HSR Act and the regulations thereunder having expired, lapsed or been terminated as appropriate in each case in respect of the proposed acquisition of Merant by SERENA, or any matters arising from that proposed acquisition;
  - (ii) insofar as the merger provision of the Enterprise Act 2002 may be applicable, the Office of Fair Trading indicating in terms satisfactory to SERENA, that it does not intend to refer the proposed acquisition of Merant by SERENA, or any matter arising therefrom, to the Competition Commission, or the statutory period for any such referral expiring without such reference having been made, or the Office of Fair Trading accepting undertakings from SERENA in terms satisfactory to SERENA, in lieu of referring the proposed acquisition by SERENA of Merant, or any matter arising therefrom, to the Competition Commission; and
  - (iii) no statute, rule, regulation, executive order, decree, ruling or injunction having been enacted, entered, promulgated or enforced by any court or other governmental or regulatory entity having jurisdiction over the offer, the Wider Merant Group or the SERENA Group that prohibits, restrains or enjoins the consummation of the offer;

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- (e) all necessary notifications and filings having been made, all applicable time periods (including any extensions of such waiting and other time periods) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory or

I-2

**Table of Contents**

regulatory obligations in any relevant jurisdiction having been complied with in each case in connection with the offer or the acquisition or proposed acquisition of any shares or other securities (or the equivalent) in Merant or control (directly or indirectly) of Merant or any other member of the Wider Merant Group by any member of the SERENA Group or the carrying on by any member of the Wider Merant Group of its business, where the absence thereof would have a material adverse affect in the context of the Wider Merant Group taken as a whole;

- (f) all necessary Authorisations in any jurisdiction for or in respect of the offer or the acquisition or proposed acquisition of any shares or other securities in Merant or control (directly or indirectly) of Merant or any other member of the Wider Merant Group by any member of the SERENA Group or the carrying on by any member of the Wider Merant Group of its business in any jurisdiction having been obtained, in terms and in a form satisfactory to SERENA, from all appropriate Third Parties or from any persons or bodies with whom any member of the Wider Merant Group has entered into contractual arrangements, in each case where the absence of such Authorisation would have a material adverse effect in the context of the offer and all such Authorisations remaining in full force and effect at the time at which the offer becomes otherwise unconditional in all respects and there being no notice of any intention to revoke, suspend, restrict, adversely modify or not to renew any of the same;
- (g) except as fairly disclosed to SERENA by or on behalf of Merant, or disclosed in Merant filings with the SEC, or as disclosed in the Annual Report and Accounts of Merant, or as publicly announced by Merant (by the delivery of an announcement to a Regulatory Information Service), prior to 3 March 2004, the date of the announcement of the offer, there being no provision of any arrangement, agreement, licence, permit, franchise or other instrument to which any member of the Wider Merant Group is a party, or by or to which any such member or any of its assets is or are or may be bound, entitled or subject or any circumstance, which, in each case as a consequence of the offer or the acquisition or proposed acquisition of any shares or other securities in, or control of, Merant or any other member of the Wider Merant Group by any member of the SERENA Group or otherwise, could or might reasonably be expected to result in, (in any case to an extent which is or would be material in the context of the Wider Merant Group taken as a whole):
  - (i) any monies borrowed by or any other indebtedness or liabilities (actual or contingent) of, or any grant available to, any member of the Wider Merant Group being or becoming repayable or capable of being declared repayable immediately or prior to its stated repayment date or the ability of any member of the Wider Merant Group to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn;
  - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider Merant Group or any such mortgage, charge or other security interest (wherever created, arising or having arisen) becoming enforceable;
  - (iii) any such arrangement, agreement, licence, permit, franchise or instrument, or the rights, liabilities, obligations or interests of any member of the Wider Merant Group thereunder, being, or becoming capable of being, terminated or adversely modified or affected or any adverse action being taken or any obligation or liability arising thereunder;
  - (iv) any asset or interest of any member of the Wider Merant Group being or falling to be disposed of or ceasing to be available to any member of the Wider Merant Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider Merant Group, in each case, otherwise than in the ordinary course of business;
  - (v) any member of the Wider Merant Group ceasing to be able to carry on business under any name under which it presently does so;
  - (vi) the creation of liabilities (actual or contingent) by any member of the Wider Merant Group, otherwise than in the ordinary course of business;

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**Table of Contents**

- (vii) the rights, liabilities, obligations or interests of any member of the Wider Merant Group under any such arrangement, agreement, licence, permit, franchise or other instrument or the interests or business of any such member in or with any other person, firm, company or body (or any arrangement or arrangements relating to any such interests or business) being terminated, adversely modified or affected;
  - (viii) the financial or trading position of any member of the Wider Merant Group being prejudiced or adversely affected, or
  - (ix) no event having occurred which, under any provision of any such arrangement, agreement, licence, permit or other instrument, could result in any of the events or circumstances which are referred to in paragraphs (i) to (viii) of this condition (g) in any case to an extent which is or would be material in the context of the Wider Merant Group taken as a whole;
- (h) since 30 April 2003 and except as disclosed in the Annual Report and Accounts of Merant, or in Merant filings with the SEC, or as otherwise publicly announced by Merant (by the delivery of an announcement to a Regulatory Information Service), or as otherwise fairly disclosed to SERENA by or on behalf of Merant prior to 3 March 2004, no member of the Wider Merant Group having:
- (i) issued or agreed to issue, or authorised or proposed the issue of, additional shares or securities of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares, securities or convertible securities other than as between Merant and wholly-owned subsidiaries of Merant and other than any options granted as disclosed to SERENA prior to 3 March 2004 and any shares, with the consent of SERENA issued upon the exercise of any options granted under any of the Merant share schemes;
  - (ii) purchased or redeemed or repaid any of its own shares or other securities or reduced or made any other change to any part of its share capital (other than with respect to any wholly-owned subsidiary of Merant);
  - (iii) recommended, declared, issued, paid or made or proposed to recommend, declare, pay, issue or make any bonus, dividend or other distribution whether payable in cash or otherwise (other than to Merant or a wholly-owned subsidiary of Merant);
  - (iv) made, committed to make, authorised, proposed or announced an intention to propose any change in its share or loan capital;
  - (v) merged with, demerged or acquired any body corporate, partnership or business, or (other than a transaction between Merant and a wholly-owned subsidiary of Merant) acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any assets (including shares in any undertaking and trade investments) or authorised the same (which is material in the context of the Wider Merant Group taken as a whole);
  - (vi) issued, authorised or proposed the issue of, or authorisation of or made any change in or to any debentures or (except in the ordinary course of business) incurred or increased any indebtedness or liability (actual or contingent), including pursuant to any agreements or arrangements existing prior to 3 March 2004, which in any case is material in the context of the Wider Merant Group taken as a whole;
  - (vii) entered into, varied, or authorised any agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise), and which in any case is reasonably likely to be material in the context of the Wider Merant Group taken as a whole or the SERENA Group taken as a whole, as the case may be, which:
    - (A) is of a long term, onerous or unusual nature or magnitude or which is reasonably likely to involve an obligation of such nature or magnitude; or



**Table of Contents**

- (B) which is reasonably likely to restrict the business of any member of the Wider Merant Group or any member of the SERENA Group; or
- (C) is other than in the ordinary course of business;
- (viii) entered into or varied or made any offer to enter into or vary the terms of, any contract, agreement or arrangement with any of the directors of Merant or with Stephen King, Scott Hildebrandt, Diane Williams, Robert Blaskowsky, Stephen Going, Robert Dunne, Brian Unruh or Rees Withers;
- (ix) (other than in respect of any member which is or was at this time dormant) taken or proposed any corporate action or had any legal proceedings instituted or threatened in writing against it or petition presented or order made for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any part of its assets and revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction which in any case is material in the context of the Wider Merant Group taken as a whole;
- (x) been unable, or admitted in writing that it is unable, to pay its debts as they fall due or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business which in any case is material in the context of the Wider Merant Group taken as a whole;
- (xi) waived or compromised or settled any claim in a manner which is material in the context of the Wider Merant Group taken as a whole;
- (xii) made any alteration to its memorandum or articles of association that is material in the context of the offer;
- (xiii) implemented, effected or authorised, or proposed or announced its intention to implement, effect, authorise or propose any reconstruction, amalgamation, commitment, merger, scheme or other transaction or arrangement except (in the case of members of the Wider Merant Group other than Merant) to an extent which is not material in the context of the Wider Merant Group taken as a whole;
- (xiv) amended the terms (including the terms relating to acceleration or vesting) of any Merant share schemes in a manner that is material in the context of the Wider Merant Group taken as a whole; or
- (xv) entered into any agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) or proposed or announced any intention with respect to any of the transactions, matters or events referred to in this Condition (h);
- (i) since 30 April 2003 and except as disclosed in the Annual Report and Accounts of Merant, or in Merant filings with the SEC, or as otherwise publicly announced by Merant (by the delivery of an announcement to a Regulatory Information Service) or as otherwise fairly disclosed to SERENA by or on behalf of Merant prior to 3 March 2004:
  - (i) there having been no adverse change or deterioration in the business, assets, financial or trading positions or profit or prospects of any member of the Wider Merant Group which in any case is material in the context of the Wider Merant Group taken as a whole;
  - (ii) no contingent or other liability of any member of the Wider Merant Group having arisen or become apparent or increased which in any case is material in the context of the Wider Merant Group taken as a whole;

- (iii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Merant Group is or is reasonably likely to become a party (whether as plaintiff, defendant or otherwise) having been threatened, announced, implemented or instituted by or against or remaining outstanding against or in respect of any member of the Wider Merant Group which in any case is material in the context of the Wider Merant Group taken as a whole; and

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**Table of Contents**

- (iv) SERENA not having discovered that any member of the Wider Merant Group or any partnership company or other entity in which any member of the Wider Merant Group has a significant economic interest and which is not a subsidiary undertaking of Merant is subject to any liability (actual or contingent) which is not disclosed in the Annual Report and Accounts of Merant and which in any case is material in the context of the Wider Merant Group taken as a whole;
  
- (j) except as disclosed in the Annual Report and Accounts of Merant, or in Merant filings with the SEC, or as otherwise publicly announced by Merant (by the delivery of an announcement to a Regulatory Information Service) or as otherwise fairly disclosed to SERENA by or on behalf of Merant prior to 3 March 2004, SERENA not having discovered that any financial or business or other information concerning the Wider Merant Group disclosed at any time by or on behalf of any member of the Wider Merant Group, to any member of the SERENA Group, whether publicly or otherwise, is materially misleading or contains any material misrepresentation of fact or omits to state a fact necessary to make any information contained therein not misleading and which was not subsequently corrected before 3 March 2004 by disclosure either publicly or otherwise to SERENA to an extent which in any case is material in the context of the Wider Merant Group taken as a whole; and
  
- (k) since 30 April 2003 and except as disclosed in the Annual Report and Accounts of Merant, or in Merant filings with the SEC, or as otherwise publicly announced by Merant (by the delivery of an announcement to a Regulatory Information Service) or as otherwise fairly disclosed to SERENA by or on behalf of Merant prior to 3 March 2004:
  - (i) any past or present member of the Wider Merant Group has not complied with any applicable legislation or regulations of any relevant jurisdiction with regard to the use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission (whether or not this constituted a non-compliance by any person with any legislation or regulations and wherever the same may have taken place) which, in any case, would be reasonably likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider Merant Group which in any case is material in the context of the Wider Merant Group taken as a whole;
  
  - (ii) there is, or is reasonably likely to be, any liability, whether actual or contingent, or requirement to improve or install new plant or equipment or to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of the Wider Merant Group or any other property or any controlled waters under any environmental legislation, regulation, notice, circular, order or other lawful requirement of any relevant authority or third party or otherwise which in any case is material in the context of the Wider Merant Group taken as a whole; or
  
  - (iii) circumstances exist whereby a person or class of persons would be reasonably likely to have a claim in respect of any product or process of manufacture or materials used therein now or previously manufactured, sold or carried out (including without limitation with respect to ownership or infringement of intellectual property) by any past or present member of the Wider Merant Group which is or would be material in the context of the Wider Merant Group taken as a whole.

**Table of Contents**

For the purpose of these conditions:

- (a) **Third Party** means any government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, administrative or investigative body, authority (including any national antitrust, competition or merger control authorities or similar authorities), court, trade agency, association, institution or professional or environmental body in any relevant and applicable jurisdiction;
- (b) a **Third Party** shall be regarded as having **intervened** if it has decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or made, proposed or enacted any statute, regulation, decision or order or taken any measures or other steps or required any action to be taken or information to be provided or otherwise having done anything and **intervene** shall be construed accordingly;
- (c) **Authorisations** means authorisations, orders, recognitions, determinations, certificates, consents, permissions, licences, clearances and approvals other than those the need for which has been fairly disclosed prior to 3 March 2003;
- (d) **Wider Merant Group** means the Merant Group and associated undertakings and any other body corporate, partnership joint venture or person in which the Merant Group and such undertakings (aggregating their interests) have an interest of more than 20 per cent. of the voting or equity capital or the equivalent.

Subject to the requirements of the Panel, SERENA reserves the right to waive all or any of the above conditions, in whole or in part, except condition (a).

The offer will lapse unless the offer is extended or the conditions have been determined by SERENA to have been and to remain satisfied, fulfilled or (if capable of waiver) waived by 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004 in accordance with the City Code or with the consent of the Panel and subject to any requirements of the laws of the US.

The Acceptance Condition shall be capable of being satisfied or being treated as satisfied only at the time when all of the other conditions shall have been either satisfied, fulfilled or (to the extent permitted) waived unless SERENA, with the consent of the Panel, shall otherwise decide. SERENA may declare the offer wholly unconditional at any time after 3.00 pm (London time), 10.00 am (New York City time) on 15 April 2004 (or such later time as the offer is required to be extended pursuant to the City Code or US law).

SERENA shall be under no obligation to waive or treat as satisfied any of conditions (a) to (k) inclusive by a date earlier than the latest date for its satisfaction notwithstanding that any other condition of the offer may on or before such date have been waived or fulfilled and/or that there are no circumstances indicating that any such conditions may not be capable of fulfillment; provided that SERENA will waive the conditions set out in paragraphs (c), d(iii) and (e) to and including (k) above not later than the fifth business day after the later of (i) the twentieth US business day after the date the offer is commenced and (ii) the date of satisfaction (or to the extent permitted, waiver by SERENA in its sole discretion) of the last of the conditions set forth in paragraphs (a), (b), d(i) and (d)(ii) to be satisfied, unless in each case SERENA has, on or prior to 5.00 pm (California time), on such fifth business day, notified Merant in writing of its intention to invoke any such condition.

SERENA reserves the right, subject to the consent of the Panel, to extend the time allowed under the rules of the City Code for satisfaction of the Acceptance Condition and accordingly for the satisfaction, fulfillment or, where permitted, waiver of other conditions, and thus, to extend the duration of the initial offer period.

If SERENA is required by the Panel to make an offer for Merant securities under the provisions of Rule 9 of the City Code, SERENA may make such alterations to the conditions, including the Acceptance Condition, as are necessary to comply with the provisions of that Rule.

## **Table of Contents**

The offer will lapse (unless otherwise agreed by the Panel) if the acquisition of Merant is referred to the UK Competition Commission before 15 April 2004, or the date on which the offer becomes or is declared unconditional as to acceptances, whichever is the later.

If the offer lapses it will cease to be capable of further acceptance. Merant securityholders who have accepted the offer and SERENA shall then cease to be bound by acceptances delivered on or before the date on which the offer lapses.

The attention of member firms of Nasdaq is drawn to certain UK dealing disclosure requirements. The announcement on 3 March 2004 commenced an offer period under the City Code which is published and administered by the Panel. Merant has equity securities traded on the London Stock Exchange and Nasdaq. SERENA has equity securities traded on Nasdaq.

The above disclosure requirements are set out in Rule 8 of the Code. In particular, Rule 8.3 requires public disclosure of dealings during an offer period by persons who own or control or pursuant to an agreement or understanding (whether formal or informal), or who would as a result of any transaction own or control, 1 per cent. or more of any class of relevant securities of Merant and/or SERENA. Relevant securities include Merant securities, SERENA shares and instruments convertible into either Merant securities or SERENA shares. This requirement will apply until the end of the initial offer period.

Disclosure should be made on the appropriate form before 12 noon (London time), on the business day following the date of the dealing transaction. These disclosures should be sent to a Regulatory Information Service in the UK and to the Panel (fax number: +44 20 7256 9386).

Member firms should advise those of their clients who wish to deal in the relevant securities of Merant or SERENA, whether in the US or the UK, that they may be affected by these requirements. If there is any doubt as to their application, the Panel should be consulted (telephone number +44 20 7638 0129, fax number +44 20 7256 9386).

## **PART B FURTHER TERMS OF THE OFFER**

The following further terms apply, unless the contrary is expressed or the context requires otherwise, to the offer.

Unless the context otherwise requires, any reference in Part B of this Appendix 1 and in the acceptance form:

- (i) to the offer will mean the offer and will include any revision, variation or renewal thereof or extension thereto and any election in connection therewith;
- (ii) to the offer becoming unconditional as to acceptances means the Acceptance Condition becoming or being determined by SERENA to be satisfied;

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- (iii) to the offer becoming unconditional in all respects means all conditions being fulfilled, satisfied or, to the extent permitted, waived; and
- (iv) to acceptances of the offer shall include deemed acceptances of the offer.

### **1. ACCEPTANCE PERIOD**

- (a) The offer is initially open for acceptance until 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004. SERENA reserves the right (but will not be obliged, other than as may be required by the City Code or the Exchange Act and the rules and regulations thereunder) at any time or from time to time to extend the offer after such time and, in such event, will make a public announcement of such extension in

**Table of Contents**

the manner described in paragraph 3 below. If all of the conditions are not satisfied, fulfilled or, to the extent permitted, waived by SERENA as at 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004, the offer will lapse and no Merant securities will be purchased under it unless SERENA extends the offer by specifying a later closing date. If all of the conditions have been satisfied, fulfilled or waived by such time (i.e., the end of the initial offer period), the offer will be extended for a subsequent offer period of at least 14 calendar days.

- (b) Although no revision is envisaged, if the offer is revised, the offer will be extended, if necessary, for a period of at least 14 calendar days (or such lesser period as may be permitted by the Panel and in accordance with the Exchange Act) from the date on which written notification of the revised offer is posted to Merant securityholders. Except with the consent of the Panel, no revision of the offer may be made after 3 May 2004 or, if later, the date which is 14 calendar days before the last date on which the offer can become unconditional as to acceptances.
  
- (c) Except with the consent of the Panel, the offer, whether revised or not, shall not be capable of becoming unconditional as to acceptances (nor, therefore, unconditional in all respects) and, accordingly, the initial offer period is not (except with the consent of the Panel) capable of being extended, after midnight (London time), 7.00 pm (New York City time), on 17 May 2004 (or any other earlier time or date beyond which SERENA has stated that the offer will not be extended and has not withdrawn that statement). If all of the conditions are not satisfied, fulfilled or, to the extent permitted, waived at such time or any later closing date to which the initial offer period has been duly extended, the offer will lapse unless the Panel agrees otherwise. If the offer lapses for any reason, the offer shall cease to be capable of further acceptance and SERENA and Merant securityholders shall cease to be bound by prior acceptances. SERENA reserves the right, with the permission of the Panel and in accordance with the Exchange Act, to extend the final date for acceptance of the offer and for the satisfaction of the Acceptance Condition and all the other conditions and, accordingly, the initial offer period. SERENA may declare the offer wholly unconditional at any time after 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004 (or such later time as the offer is required to be extended pursuant to the City Code or US law).
  
- (d) SERENA reserves the right (but will not be obliged) at any time and from time to time to extend the subsequent offer period for any period it chooses. The subsequent offer period must remain open for at least 14 calendar days but may be extended beyond that time until a further specified date or until further notice. If SERENA states that the offer will remain open until further notice, SERENA will give not less than 14 calendar days' notice in writing to Merant securityholders who have not accepted the offer before closing the subsequent offer period.
  
- (e) If a competitive situation arises (as determined by the Panel) after a 'no increase and/or no extension' statement has been made by or on behalf of SERENA in relation to the offer, SERENA may, if it has specifically reserved the right to do so at the time the statement is made (or otherwise with the consent of the Panel), withdraw the statement and be free to increase or, as the case may be, to extend the offer provided that it complies with the requirements of the City Code and the Exchange Act and in particular that:
  - (i) it announces the withdrawal as soon as possible and in any event within four business days after the date of the announcement of the competing offer or other competitive situation;
  - (ii) it notifies Merant securityholders in writing of the withdrawal (or, in the case of Merant securityholders with registered addresses outside the United Kingdom or United States, or whom SERENA reasonably believes to be nominees, custodians or trustees holding Merant securities for such persons, by announcement in the United Kingdom and United States) at the earliest practicable opportunity; and
  - (iii) any Merant securityholders who accepted the offer after the date of the 'no increase or no extension' statement are given a right of withdrawal in accordance with paragraph 4(d) of Part B of this Appendix below. Withdrawal rights will apply in any event during the initial offer period.



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**Table of Contents**

SERENA may, if it has specifically reserved the right to do so at the time the statement is made, choose not to be bound by the terms of a no increase or no extension statement if it would otherwise prevent the posting of an increased or improved offer (either as to the value or nature of the consideration offered or otherwise) which is recommended for acceptance by the board of directors of Merant, or in other circumstances permitted by the Panel.

**2. ACCEPTANCE CONDITION**

- (a) For the purposes of determining whether the Acceptance Condition has been satisfied, SERENA may, except as otherwise agreed by the Panel, only take into account acceptances received in respect of or purchases of Merant securities made in respect of which all relevant documents are received by the UK Receiving Agent or the US Depositary by 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004 or such later closing date as may be specified but, except with the consent of the Panel, not later than 1.00 pm on 17 May 2004 or, in each case, any earlier closing date beyond which SERENA has stated that the offer will not be extended (unless the conditions are at that closing date satisfied, fulfilled or, to the extent permitted, waived) and has not withdrawn that statement.

If, with the consent of the Panel, the latest time and date at which the offer may become unconditional as to acceptances (and thus the latest time at which it may become unconditional in all respects) is extended beyond midnight (London time), 7.00 pm (New York City time), on 17 May 2004, so that the initial offer period is accordingly extended, acceptances received and purchases made in respect of which the relevant documents are received by the UK Receiving Agent or the US Depositary after 1.00 pm (London time), 8.00 am (New York City time), on or after that later date may only be taken into account with the agreement of the Panel, except where the City Code permits otherwise.

- (b) Except as otherwise agreed by the Panel:

- (i) an acceptance of the offer in respect of Merant securities will only be treated as valid for the purposes of the Acceptance Condition if the requirements of Note 4 and, if applicable, Note 6 to Rule 10 of the City Code are satisfied in respect of it;
- (ii) a purchase of Merant securities by SERENA or its nominee or (if SERENA is required by the Panel to make an offer for Merant securities under Rule 9 of the City Code) by a person acting in concert with SERENA or its nominee, will only be treated as valid for the purposes of the Acceptance Condition if the requirements of Note 5 and, if applicable, Note 6 to Rule 10 of the City Code are satisfied in respect of it; and
- (iii) before the offer may become unconditional as to acceptances the UK Receiving Agent must issue a certificate to SERENA or Lehman Brothers which states the number of Merant securities in respect of which acceptances have been received and not validly withdrawn and the number of Merant securities otherwise acquired, whether before or during the offer period, which comply with the provisions of the City Code referred to in this paragraph 2(b). Copies of such certificate will be sent to the Panel as soon as possible after it is issued.
- (c) For the purpose of determining whether the Acceptance Condition has been satisfied, SERENA shall be entitled to take into account only those Merant securities carrying voting rights which have been unconditionally allotted or issued, whether pursuant to the exercise of conversion or subscription rights or otherwise, before the determination takes place and written notice of the allotment or issue of which, containing all relevant details, has been received before that time by the UK Receiving Agent or the US Depositary on behalf of SERENA from Merant or its agents at one of the addresses set out in the section of this document entitled Further Information. Notification by e-mail, telex or facsimile transmission does not constitute written notice for this purpose.

**Table of Contents**

- (d) In accordance with applicable SEC rules, at least five business days prior to any reduction in the percentage of Merant shares (including Merant shares represented by Merant ADSs) required to satisfy the Acceptance Condition, SERENA will announce that it has reserved the right to reduce the Acceptance Condition. The announcement will be made through a press release designed to inform Merant securityholders in the United Kingdom and elsewhere and/or by placing an advertisement in a newspaper of national circulation in the United States. Such announcement will state the exact percentage to which the Acceptance Condition may be reduced, will state that such a reduction is possible but that SERENA need not declare its actual intentions until it is required to do so under the City Code and will contain language advising Merant securityholders to withdraw their Merant securities if their willingness to accept the offer would be affected by a reduction of the Acceptance Condition. SERENA will not make such an announcement unless it believes that there is a significant possibility that a sufficient number of acceptances will be received to permit the Acceptance Condition to be satisfied at such reduced level and that the other conditions will be satisfied, fulfilled or, to the extent permitted, waived at such time. Merant securityholders who are not willing to accept the offer if the Acceptance Condition is reduced to a level lower than 90 per cent. should not accept the offer until it becomes or is declared unconditional as to acceptances (which may be at a level lower than 90 per cent.) and/or be prepared to withdraw their acceptances promptly following an announcement by SERENA of its reservation of the right to reduce the Acceptance Condition. Upon any announcement being made that the percentage of Merant shares (including Merant shares represented by Merant ADSs) required to satisfy the Acceptance Condition may be reduced, the offer shall not be capable of becoming or being declared unconditional in all respects until the expiry of at least five business days thereafter. Merant securityholders will be able to accept the offer for at least five business days after a reduction of the Acceptance Condition either during the initial offer period or the subsequent offer period. If SERENA states that the offer will remain open until further notice, SERENA will not give less than 14 calendar days' notice in writing to Merant securityholders who have not accepted the offer before closing.

**3. ANNOUNCEMENTS**

- (a) Without prejudice to paragraph 4 below, by 8.00 am (London time) in the UK and 8.00 am (New York City time) in the US on the business day after the day on which the offer is due to expire or becomes unconditional in all respects or on which the offer is revised or is extended, as the case may be, or such later time or date as the Panel may agree subject to compliance with US securities laws, referred to as the relevant day, SERENA will make an appropriate announcement and inform the London Stock Exchange and the Dow Jones News Service. In the announcement SERENA will state (unless otherwise permitted by the Panel) the total number of Merant securities and rights over Merant securities (as nearly as practicable):
- (i) for which acceptances of the offer have been received, showing the extent, if any, to which such acceptances have been received from persons acting or deemed to be acting in concert with SERENA for the purposes of the offer;
  - (ii) held by or on behalf of SERENA or any person acting or deemed to be acting in concert with SERENA for the purposes of the offer before the offer period; and
  - (iii) acquired or agreed to be acquired by or on behalf of SERENA or any person acting or deemed to be acting in concert with SERENA for the purposes of the offer during the offer period;

and the announcement will specify the percentage of the Merant securities represented by each of these figures.

- (b) In calculating the number of Merant securities represented by acceptances and purchases, SERENA may only include acceptances and purchases if they could be counted towards fulfilling the Acceptance Condition under Notes 4, 5 and 6 to Rule 10 of the City Code, unless the Panel agrees otherwise. Subject to this, SERENA may include or exclude, for announcement purposes, acceptances and purchases not in all respects in order or which are subject to verification.

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**Table of Contents**

- (c) Any decision to extend the offer may be made at any time up to, and will be announced by, 8.00 am (London time) in the UK and 8.00 am (New York City time) in the US on the relevant day (or such later time and/or date as the Panel may agree). If the offer is not yet unconditional in all respects (so that the initial offer period has not yet expired) the announcement will state the next closing date or, if the offer has become unconditional in all respects (with the result that the initial offer period has ended), the announcement will state that the offer will remain open for a subsequent offer period until further notice or until a further specified date not less than 14 calendar days after the end of the initial offer period.
- (d) In this Appendix, a reference to the making of an announcement or the giving of notice by or on behalf of SERENA includes the release of an announcement by SERENA's public relations consultants or Lehman Brothers, in each case on behalf of SERENA, to the press and the delivery by hand or telephone, e-mail, telex or facsimile or other electronic transmission of an announcement to the London Stock Exchange and the Dow Jones News Service, as the case may be, and the making of an announcement in any other appropriate manner in accordance with the Code and applicable law (including Rules 14d-4(c) and 14d-6(c) under the Exchange Act, which require that any material change in the information published, sent or given to Merant securityholders in connection with the offer be promptly sent to Merant securityholders in a manner reasonably designed to inform them of such change). An announcement made otherwise than to the London Stock Exchange and the Dow Jones News Service will be notified simultaneously to the London Stock Exchange and the Dow Jones News Service.
- (e) Without limiting the manner in which SERENA may choose to make any public announcement and, subject to SERENA's obligations under applicable law (including Rules 14d-4(c) and 14d-6(c) under the Exchange Act relating to SERENA's obligations to disseminate promptly public announcements concerning material changes to the offer), SERENA will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the London Stock Exchange and the Dow Jones News Service.

**4. RIGHTS OF WITHDRAWAL**

- (a) Except as provided by this paragraph 4, acceptances and elections are irrevocable.
- (b) Merant securities in respect of which valid acceptances have been received may be withdrawn pursuant to the procedures set out below at any time during the initial offer period and in certain other circumstances described below. Merant securities in respect of which valid acceptances have been received during the initial offer period and that are not validly withdrawn during the initial offer period and Merant securities in respect of which valid acceptances have been received during the subsequent offer period may not be withdrawn. SERENA may declare the offer wholly unconditional and thereby terminate the initial offer period and Merant securityholders' withdrawal rights at any time after 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004 (or such later time as the offer is required to be extended pursuant to the City Code or US law). Holders of Merant securities will not have withdrawal rights during the subsequent offer period, except in certain limited circumstances described below. The subsequent offer period must remain open for at least 14 calendar days but may be extended beyond that time until a further specified date or until further notice.
- (c) SERENA will only announce that the Acceptance Condition has been satisfied if all the other conditions are also satisfied, fulfilled or, to the extent permitted, waived and the initial offer period will terminate. Withdrawal rights will also terminate at that time, unless SERENA then fails to comply by 3.30 pm (London time), 10.30 am (New York City time), on the relevant day (as defined in paragraph 3(a) of this Part B) (or such later time and/or date as the Panel may agree) with any of the other requirements specified in paragraph 3(a) of Part B of this Appendix, in which case a Merant securityholder who has previously accepted the offer may withdraw such securityholder's acceptance of the offer by written notice in compliance with paragraphs 4(e) and (f) of Part B of this Appendix (if appropriate) given by post or by hand to the UK Receiving Agent or the US Depository at the addresses set forth in the section of this document entitled Further Information.

**Table of Contents**

Subject to paragraph 1(c) of Part B of this Appendix, this right of withdrawal may be terminated not less than eight calendar days after the relevant day by SERENA confirming that the offer is still unconditional, and complying with the other requirements specified in paragraph 3(a) of Part B of this Appendix. If that confirmation is given, the first period of 14 calendar days referred to in paragraph 1(b) of Part B of this Appendix will start on the date of that confirmation and compliance.

- (d) If a no increase and/or no extension statement is withdrawn in accordance with paragraph 1(e) of Part B of this Appendix, a person who accepts the offer after the date of the statement may withdraw that person's acceptance in the manner set out in paragraph 4(c) of Part B of this Appendix during the period of eight calendar days after the date SERENA posts the notice of the withdrawal of that statement to Merant securityholders.
- (e) To be effective, a written notice of withdrawal must be received, subject to paragraphs 4(c) and (d) of Part B of this Appendix, before the end of the initial offer period by the party (either the UK Receiving Agent or the US Depository) to whom the acceptance form was originally returned by the relevant Merant securityholder and must specify the name of the person from whom the acceptance was received, the number of Merant securities to be withdrawn and (if share certificates or Merant ADRs, as the case may be, have been provided) the name of the registered holder of the relevant Merant securities, if different from the name of the person from whom the acceptance was received.
- (f) In respect of Merant ADSs, if Merant ADRs have been delivered or otherwise identified to the US Depository, then, prior to the physical release of such Merant ADRs, the serial numbers shown on such Merant ADRs must be submitted and, unless the Merant ADSs evidenced by such Merant ADRs have been delivered by an Eligible Institution, the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If interests in Merant ADSs evidenced by Merant ADRs have been delivered pursuant to the procedures for book-entry transfer set out in paragraph 12(c) of Part B of this Appendix, any notice of withdrawal must specify the name and number of the account at the appropriate Book-Entry Transfer Facility to be credited with the withdrawn Merant ADSs and must otherwise comply with such Book-Entry Transfer Facility's procedures.
- (g) In this paragraph 4, written notice (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting Merant securityholder(s) or the securityholder's agent(s) duly appointed in writing (evidence of whose appointment is produced with the notice in a form satisfactory to SERENA). Notification by telex or facsimile or other electronic transmission or copies will not be sufficient to constitute written notice. Any notice which is postmarked in or otherwise appears to SERENA or its agents to have been sent from Canada, Australia or Japan may be treated as not valid.
- (h) Withdrawals of Merant securities in respect of which valid acceptances have been received may not be rescinded (without SERENA's consent) and any Merant securities properly withdrawn and in respect of which valid acceptances have not been received thereafter will thereafter be deemed not to be the subject of a valid acceptance for the purposes of the offer. Withdrawn Merant securities may be subsequently the subject of a valid acceptance, however, by following one of the procedures described in either paragraph 10, 11 or 12 of Part B of this Appendix, as the case may be, at any time whilst the offer remains open.
- (i) All questions as to the validity (including time of receipt) of any notice of withdrawal will be determined by SERENA, whose determination (except as required by the Panel) will be final and binding. None of SERENA, Merant, Lehman Brothers, the US Depository, the Information Agent, the UK Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification or for any determination under this paragraph (i).

**Table of Contents**

**5. MIX AND MATCH ELECTION**

- (a) Merant securityholders who validly accept the offer will be able to request under the mix and match election to vary the proportions in which they receive SERENA shares and cash in respect of their Merant securities.

The maximum number of new SERENA shares to be issued under the offer and the maximum amount of cash to be paid under the offer will not be varied as a result of the mix and match election. Accordingly, a Merant securityholder's mix and match election will be satisfied only to the extent that other Merant securityholders make opposite elections. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata basis. To the extent that elections can be satisfied, electing Merant securityholders will receive new SERENA shares instead of cash, and vice versa.

- (b) Valid elections for new SERENA shares made by Merant securityholders in excess of their basic entitlement to new SERENA shares will be satisfied in full where sufficient new SERENA shares are available as a result of other accepting Merant securityholders validly making elections for cash in excess of their basic entitlements under the offer, thereby releasing new SERENA shares to which they would otherwise be entitled under the offer.

If, under the mix and match election, the number of new SERENA shares made available as a result of valid elections for cash in excess of the basic entitlement thereto is insufficient to satisfy in full all valid elections for new SERENA shares in excess of Merant securityholders' basic entitlements thereto, then such excess elections will be scaled down on a pro rata basis and the balance of the consideration will be satisfied in cash in accordance with the basic terms of the offer.

- (c) Valid elections for cash made by Merant securityholders in excess of their basic entitlement to cash will be satisfied in full where sufficient cash is available as a result of other accepting Merant securityholders validly making elections for new SERENA shares in excess of their basic entitlement under the offer, thereby releasing cash to which they would otherwise be entitled under the offer.

If, under the mix and match election, the amount of cash made available as a result of valid elections for new SERENA shares in excess of the basic entitlement thereto is insufficient to satisfy in full all valid elections for cash in excess of Merant securityholders' basic entitlements thereto, then such elections will be scaled down on a pro rata basis and the balance of the consideration will be satisfied in accordance with the basic terms of the offer.

- (d) All adjustments to the amount of cash or SERENA shares received by any Merant securityholder in the mix and match election will be calculated based on a value per Merant share of 195 pence and a value per SERENA share of £11.78. The value of SERENA share for these purposes is based on the average of the dollar/pound sterling noon buying rate for the five trading days ended 3 March 2004 and the average of the closing prices of one SERENA share as reported on Nasdaq for the 20 US trading days ended 1 March 2004.
- (e) Although the offer will remain open for a subsequent offer period of at least 14 calendar days after the date on which the offer becomes or is declared unconditional in all respects (at the end of the initial offer period) and may be extended beyond that time until a further specified date, the mix and match election will remain open until but not beyond 3.00 pm (London time), 10.00 am (New York City time), on the date falling five calendar days after the date on which the offer becomes or is declared unconditional in all respects.
- (f) No election for the mix and match election will be valid unless both a valid acceptance of the offer and a valid election for the mix and match election, duly completed in all respects and (i) accompanied by all relevant share certificate(s), Merant ADRs and/or other document(s) of title in respect of Merant securities in certificated form, or, (ii) if the Merant securities to which the acceptance relates are in uncertificated form, a settlement of a transfer to escrow instruction in favour of the UK Receiving Agent as escrow agent in relation to

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Merant shares or an Agent's Message to the US Depositary in relation to Merant ADSs in accordance with the procedures set out in this document, are duly received by the time and date on which the mix and match election closes.

I-14

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**Table of Contents**

- (g) In the event that a Merant securityholder purports to elect for both additional cash and additional new SERENA shares under the mix and match election, both purported elections shall be deemed to be void, and such Merant securityholder shall be deemed to have accepted the offer on its basic terms in respect of all the Merant securities to which the relevant acceptance form relates or is deemed to relate.
- (h) If any acceptance form which includes an election for the mix and match election is either received after the time and date upon which the mix and match election closes or is received before such time and date but is not, and is not deemed to be, valid or complete in all respects at such time and date, such election shall, for all purposes, be void and the Merant securityholder purporting to make such election shall not, for any purpose, be entitled to receive any variation of consideration under the mix and match election, but such acceptance, if otherwise valid, shall, subject to the provisions of paragraph (j) below, be deemed to be an acceptance of the offer in respect of the number of Merant securities indicated in the relevant acceptance form and the relevant Merant securityholder will, upon the offer becoming unconditional in all respects be entitled to receive the basic consideration due under the offer in respect thereof.
- (i) The mix and match election will lapse if the offer lapses or expires. An election under the mix and match election may only be made in respect of Merant securities for which the offer is validly accepted. Merant securityholders who do not make a mix and match election will receive the basic terms of the offer. Mix and match elections must be made at the same time as the acceptances of the offer to which they relate, on the relevant acceptance form.
- (j) A mix and match election made by a Merant securityholder may not be changed after the time that it is first made on the relevant acceptance form. However, acceptances including the associated mix and match election may be withdrawn in accordance with the procedures in paragraph 4 of Part B of this Appendix. This right of withdrawal, except in the limited circumstances set out in paragraphs 4(b), (c) and (d) of Part B of this Appendix terminates at the time that the offer becomes unconditional in all respects (i.e. at the end of the initial offer period). Accordingly, mix and match elections made in the 5 calendar day period between the end of the initial offer period and the time and date at which the mix and match election ceases to be open for acceptance cannot be changed or withdrawn.

**6. INDUCEMENT FEE**

In consideration of, and as an inducement to, SERENA making the offer, Merant has agreed to pay SERENA a fee of £2.06 million (US\$3.71 million based on the noon buying rate of US\$1.7993 : £1.00 on 15 March 2004, the latest practicable date prior to the posting of this document) in certain limited circumstances. Save in certain limited circumstances including failure to obtain approval for the offer under the HSR Act or other applicable antitrust law, this fee is payable on either of the following events:

- (a) if a higher competing offer or other competing transaction (or an intention to do either) is publicly announced by a third party and the Merant board fails to reaffirm its unanimous recommendation of the offer and subsequently the offer lapses or is withdrawn; or
- (b) if the board of Merant withdraws or modifies its recommendation of the offer by SERENA.

**7. REVISION OF THE OFFER**

- (a) Although no revision is envisaged, if the offer (in its original or previously revised form(s)) is revised (either in terms or conditions or in the value or form of the consideration offered or otherwise) and whether or not the mix and match election (in its original or any previously revised form is revised, the benefit of the revised offer will, subject as provided in paragraphs 7(b), 7(c), 7(e) and 9 of Part B of this Appendix, be made available to a Merant securityholder who has validly accepted the offer (in its original or any revised form(s)) and not validly withdrawn such acceptance, referred to as a previous acceptor, if the revised offer represents, on the date on which it is announced (on such basis as Lehman Brothers and SERENA may consider appropriate), an improvement, or no diminution, in the value of the consideration offered (with the cash consideration consisting of an amount no less than set out in this document) compared with the



**Table of Contents**

consideration or terms previously offered. The acceptance by or on behalf of a previous acceptor of the offer (in its original or any revised form(s)) will, subject as provided in paragraphs 7(b), 7(c), 7(e) and 9 of Part B of this Appendix, be deemed an acceptance of the revised offer and will constitute the appointment of and direction to any director of SERENA or of Lehman Brothers as such previous acceptor's attorney and/or agent with authority, whether or not such previous acceptor shall have elected for the mix and match election:

- (i) to accept the revised offer on the previous acceptor's behalf;
- (ii) if the revised offer includes alternative forms of consideration, to make on the previous acceptor's behalf elections for and/or accept the alternative forms of consideration on the previous acceptor's behalf in the proportions the attorney and/or agent in his absolute discretion thinks fit; and
- (iii) to execute on the previous acceptor's behalf and in the previous acceptor's name any further documents and take such further actions (if any) as may be required to give effect to those elections or acceptances.

In making any election and/or acceptance, the attorney and/or agent will take into account the nature of any previous acceptance or election made by or on behalf of the previous acceptor and such other facts or matters as he may reasonably consider relevant. The attorney and/or agent shall not be liable to any Merant securityholder or any other person in making any such election and/or acceptance or in making any determination in respect thereof. In this paragraph, the expression the offer shall, and shall be deemed to, mean and include the offer and/or the mix and match election and/or all or any alternative forms of consideration to be given under the offer and any combination or choice of the offer and/or the mix and match election and/or all or any alternative forms of consideration.

- (b) The deemed acceptance and/or election referred to in paragraph 7(a) of Part B of this Appendix will not apply and the power of attorney and authorities conferred by that paragraph will not be exercised if, as a result, the previous acceptor would (on such basis as Lehman Brothers and SERENA may consider appropriate) receive less in aggregate in consideration under the offer than the previous acceptor would have received in aggregate in consideration as a result of the previous acceptor's acceptance of the offer in the form originally accepted by the previous acceptor or on the previous acceptor's behalf (unless the previous acceptor has previously agreed in writing to receive less in aggregate consideration).
- (c) The deemed acceptance and/or election referred to in paragraph 7(a) of Part B of this Appendix will not apply and the power of attorney and the authorities conferred by that paragraph will be ineffective in the case of a previous acceptor who lodges, within 14 calendar days of the posting of the document containing the revised offer and/or any revised or other alternative or election, an acceptance form (or any other form issued on behalf of SERENA) in which he validly elects to receive consideration under the revised offer in some other manner than that set out in the previous acceptor's original acceptance.
- (d) SERENA and Lehman Brothers reserve the right to treat an executed acceptance form relating to the offer (in its original or any previously revised form(s)) which is received (or dated) after the announcement of any revised offer as a valid acceptance of the revised offer (and where applicable a valid election for the alternative forms of consideration). That acceptance will constitute an authority in the terms of paragraph 7(a) of Part B of this Appendix on behalf of the relevant Merant securityholder.
- (e) If SERENA makes a material change in the terms of the offer or if it waives a material condition of the offer prior to the end of the initial offer period, SERENA will disseminate additional offer materials and extend the offer to the extent required by Rules 14d-4(d), 14d-6(c) and 14e-1 under the Exchange Act. The minimum period during which an offer must remain open following material changes in the terms of the offer, other than a change in price or a change in the percentage of securities sought, will depend upon the facts and circumstances then existing, including the materiality of the changes. With respect to a change in price or, subject to certain limitations, a change in the percentage of securities sought, a minimum of ten business days is generally required to allow for adequate dissemination to Merant securityholders. Any reduction of the Acceptance Condition will be effected and announced in the manner described in paragraph 2(d) of Part B of this Appendix.



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**Table of Contents**

**8. GENERAL**

- (a) If the offer lapses or is withdrawn, neither SERENA nor any person acting, or deemed to be acting, in concert with SERENA for the purposes of the offer nor any of their respective affiliates may, pursuant to the City Code, make an offer (whether inside or outside the United Kingdom) for Merant securities for a period of one year following the date of such lapse or withdrawal, except with the permission of the Panel.
- (b) If the offer lapses or is withdrawn, acceptance forms, Merant share certificates, Merant ADRs and other documents of title will be returned by post (or by such other method as the Panel may approve) within 14 calendar days of the offer lapsing or being withdrawn, at the risk of the Merant securityholder in question, to the person or agent whose name and address (outside Canada, Australia or Japan) is set out in the relevant box on the acceptance form or, if none is set out, to the first-named holder at the holder's registered address (outside Canada, Australia or Japan) or, in the case of Merant ADSs delivered by book-entry transfer into the US Depository's account at a Book-Entry Transfer Facility pursuant to the procedures set forth in paragraph 12(c) of Part B of this Appendix, such Merant ADSs will be credited within such period to an account maintained at the appropriate Book-Entry Transfer Facility.
- (c) The UK Receiving Agent will, immediately after the offer lapses (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the offer lapsing) instruct CRESTCo to transfer all Merant shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the offer to the original available balances of the relevant Merant securityholders.
- (d) Except with the consent of the Panel:
- (i) settlement of the consideration to which any Merant securityholder is entitled under the offer will be fully implemented in accordance with the terms of the offer without regard to any lien, right of set-off, counterclaim or other analogous right to which SERENA or Lehman Brothers may otherwise be, or claim to be, entitled against that Merant securityholder; and
- (ii) settlement of the consideration will be effected in the manner prescribed in paragraph 15 of the letter from Lehman Brothers not later than 14 calendar days after the later of the date on which the offer becomes wholly unconditional and the date of receipt of a valid and complete acceptance form from such Merant securityholder.
- (e) The terms, provisions, instructions and authorities contained in the acceptance forms also constitute part of the terms of the offer. A word or expression defined in this document has the same meaning when used in an acceptance form, unless the context requires otherwise. The provisions of this Appendix shall be deemed to be incorporated in the acceptance forms.
- (f) Any omission or failure to dispatch this document, the acceptance forms, any other documents relating to the offer or any notice required to be dispatched under the terms of the offer to, or any failure to receive the same by, any person to whom the offer is, or should be, made will not in any way invalidate the offer or create any implication that the offer has not been made to any such person. Subject to the provisions of paragraph 9 of Part B of this Appendix, the offer is made to any Merant securityholder to whom this document and the acceptance forms or any related document may not have been dispatched or who may not receive such documents, and these persons may collect the relevant documents from the UK Receiving Agent, the US Depository or the Information Agent at the addresses set forth in the section of this document entitled "Further Information".
- (g) Subject to the City Code, SERENA and Lehman Brothers reserve the right to treat as valid in whole or in part any acceptance of the offer if received by the UK Receiving Agent or the US Depository or otherwise on behalf of SERENA which is not entirely in order or in the correct form or which is not accompanied by (as applicable) the relevant transfer to escrow or the relevant share certificates, Merant ADRs and/or other documents of title which are received by them in a form or at a place or places other than as set out in this document or the relevant acceptance form. In that event, no issue of new SERENA shares or payment of cash under the offer will be made until after the acceptance is entirely in order and (as applicable) the relevant transfer to escrow has settled or the relevant share certificate(s), Merant

ADRs and/or other

I-17

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**Table of Contents**

document(s) of title or indemnities satisfactory to SERENA have been received by the UK Receiving Agent or the US Depository, as the case may be.

- (h) If all of the conditions have been either satisfied, fulfilled or, to the extent permitted, waived and SERENA has acquired or contracted to acquire, pursuant to the offer or otherwise, at least 90 per cent. in nominal value of the Merant shares (including Merant shares represented by Merant ADSs) to which the offer relates, before the end of the four month period provided by the Companies Act, SERENA will be entitled, and intends, to acquire the remaining Merant securities on the same terms as the offer pursuant to the compulsory acquisition procedure set out in sections 428 to 430E of the Companies Act (see paragraph 11 of Appendix 5 and Appendix 6 to this document). When the offer becomes or is declared unconditional in all respects, SERENA intends to procure the making of an application by Merant for the removal of Merant shares from the Official List of the UK Listing Authority and for the cancellation of trading in Merant shares on the London Stock Exchange market for listed securities and also for the delisting of Merant ADSs and Merant shares from Nasdaq. The Merant shares do not trade in Nasdaq and are listed on Nasdaq only in connection with the Merant ADS programme. It is anticipated that cancellation of listing from the Official List and cancellation of trading on the London Stock Exchange will take effect no earlier than 20 business days after the offer becomes or is declared unconditional in all respects. Delisting would significantly reduce the liquidity and marketability of any Merant securities with respect to which valid acceptances were not received in the offer. SERENA will make an announcement at least 20 business days prior to cancellation of listing from the Official List and the cancellation of trading on the London Stock Exchange specifying the exact date upon which Merant shares will be delisted. While it is anticipated that cancellation of both listings will take place at the same time, cancellation of the listing of the Merant ADSs and Merant shares on Nasdaq could take place earlier than cancellation of the listing and trading of the Merant shares on the Official List of the UK Listing Authority and the London Stock Exchange, respectively.
- (i) All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Appendix or in the acceptance forms are given by way of security for the performance of the obligations of the relevant Merant securityholders and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971, except in the circumstances where the donor of the power of attorney or authority validly withdraws the donor's acceptance in accordance with paragraph 4 of Part B of this Appendix 1.
- (j) No acknowledgement of receipt of any acceptance form, share certificate, Merant ADR or other document of title will be given. All communications, notices, certificates, Merant ADRs, documents of title and remittances to be delivered by, and sent to or from, Merant securityholders (or their designated agent(s)) will be delivered or sent at their own risk.
- (k) If a Merant securityholder has existing SERENA shares, the mandates, instructions and instruments in force for the existing SERENA shares will continue in force in relation to new SERENA shares received under the offer.
- (l) SERENA and Lehman Brothers reserve the right to notify any matter, including the making of the offer, to all or any Merant securityholders:
  - (i) with a registered address outside the United Kingdom and the United States; or
  - (ii) whom SERENA or Lehman Brothers knows to be a custodian, trustee or nominee holding Merant securities for persons who are citizens, residents or nationals of jurisdictions outside the United Kingdom and the United States,

by announcement in the United Kingdom to the London Stock Exchange and in the United States to the Dow Jones News Service or in any other appropriate manner or by paid advertisement in newspapers published and circulated in the United Kingdom and the United States. Such notice will be deemed to have been sufficiently given, despite any failure by a Merant securityholder to receive or see that notice. A reference in this document to a notice or the provision of information in writing by or on behalf of SERENA is to be construed accordingly. No such document will be sent to an address in Canada, Australia or Japan.



**Table of Contents**

- (m) The offer is made at 3.00 pm (London time), 10.00 am (New York City time), on 18 March 2004 and is capable of acceptance from and after that time. Acceptance forms and copies of this document may be collected from the UK Receiving Agent, the US Depository or the Information Agent at one of the addresses set forth in the section of this document entitled Further Information. The offer is made in the United States by SERENA on its own behalf. The terms and conditions set forth in the letter from Lehman Brothers apply equally to such offer.
- (n) This offer will be announced by means of a release to the UK Regulatory News Service on 18 March 2004.
- (o) The offer, all acceptances of the offer, all elections in respect of it and the contract to which it gives rise, are governed by and will be construed in accordance with English law. Execution by or on behalf of a Merant securityholder of an acceptance form constitutes the securityholder's irrevocable submission to the jurisdiction of the courts of England in relation to all matters arising in connection with the offer. However, the conduct of the offer is also subject to US federal securities laws and the securities laws of the US states and other jurisdictions in the US in which the offer is being made if, and to the extent, applicable to the offer.
- (p) References in paragraphs 10, 11 and 12(i) of this Part B to a Merant securityholder, a holder of Merant shares and a holder of Merant ADSs will include references to the person or persons executing the acceptance form and in the event of one or more than one such person executing an acceptance form, such provisions shall apply to them jointly.
- (q) In relation to any acceptance of the offer in respect of a holding of Merant shares which are in uncertificated form, SERENA reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the City Code or are otherwise made with the consent of the Panel.
- (r) All references in this Appendix to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).
- (s) Fractions of new SERENA shares will not be allotted or issued to accepting Merant securityholders. To the extent that Merant securityholders are entitled to fractional shares, those fractional entitlements will be aggregated and sold in the market and the net proceeds of sale distributed pro rata to the holders of Merant shares and Merant ADSs entitled to them. In the case of holders of Merant ADSs, such payment will be made in US dollars, and in the case of holders of Merant shares, such payment will be made in pounds sterling, the applicable proceeds having been converted from US dollars at a prevailing exchange rate selected by SERENA at the relevant time. Individual entitlements to amounts of less than £2.50 (US \$4.50 based on a noon buying rate of US\$1.7993 : £1.00 as at 15 March 2004, the latest practicable date prior to the posting of this document) will not be paid to Merant securityholders, but will be retained for the benefit of the combined companies.
- (t) The Merant securities will be acquired by SERENA pursuant to the offer fully paid and free from all liens, equities, charges, equitable interests, encumbrances and other third party rights and interests of any nature whatsoever and together with all rights now or hereafter attaching thereto, including the right to receive and retain all dividends and other distributions, if any, declared, made or payable after 3 March 2004.
- (u) The new SERENA shares will be credited as fully paid, will rank pari passu in all respects with existing SERENA shares, dividends and other distributions declared, paid or made by reference to a record date after 3 March 2004. Appropriate adjustments to the number of SERENA shares paid in the offer will be made if SERENA effects a stock split, stock dividend or reverse stock split.

**9. OVERSEAS MERANT SECURITYHOLDERS**

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- (a) The making of the offer in, or to certain persons resident in, or nationals or citizens of, jurisdictions outside the United Kingdom or the United States or to their nominees or trustees may be prohibited or affected by the laws of the relevant jurisdiction. Merant securityholders who are persons, citizens, residents or nationals of jurisdictions outside the United Kingdom and the United States should inform themselves about and

I-19

**Table of Contents**

observe any applicable legal requirements. It is the responsibility of such Merant securityholders wishing to accept the offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the offer. This includes the obtaining of any governmental, exchange control or other consents which may be required, compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes due in that jurisdiction by whomsoever payable and SERENA and Lehman Brothers and any persons acting on their behalf will be fully indemnified and held harmless by any Merant securityholder for whom SERENA or Lehman Brothers are required to pay any issue, transfer or other taxes.

- (b) The offer is not being made, directly or indirectly, in or into Canada, Australia or Japan or by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or of any facility of a national securities exchange of Canada, Australia or Japan. This includes, but is not limited to, e-mail, facsimile transmission, telex and telephone. Accordingly, copies of this document, the acceptance forms, and any related offering documents are not being, and must not be mailed, forwarded or otherwise distributed or sent in, into or from Canada, Australia or Japan. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not distribute, mail or send them in, into or from Canada, Australia or Japan or use the Canadian, Australian or Japanese mails or any such means, instrumentality or facility for any purpose directly or indirectly in connection with the offer, and so doing may invalidate any related purported acceptance of the offer. Envelopes containing acceptance forms in respect of the offer must not be postmarked in Canada, Australia or Japan or otherwise dispatched from those jurisdictions and all acceptors must provide addresses outside Canada, Australia or Japan for the receipt of the consideration to which they are entitled under the offer or for the return of acceptance forms or documents of title.
  
- (c) Subject as provided below, a Merant securityholder will be deemed not to have accepted the offer if:
  - (i) the securityholder puts NO in Box 7 of the form of acceptance and thereby cannot give the representations and warranties set out in paragraphs 11(b) and 12(i)(ii)(dd) of Part B of this Appendix;
  - (ii) the securityholder completes the relevant Box of the acceptance form with an address in Canada, Australia or Japan or has a registered address in Canada, Australia or Japan and in either case the securityholder does not insert in the relevant Box of the acceptance form the name and address of a person or agent outside Canada, Australia or Japan to whom the securityholder wishes the consideration to which the securityholder is entitled under the offer to be sent;
  - (iii) the securityholder inserts in the relevant Box of the acceptance form the name and address of a person or agent in Canada, Australia or Japan to whom the securityholder wishes the consideration to which the securityholder is entitled under the offer to be sent; or
  - (iv) the acceptance form received from the securityholder is in an envelope postmarked in, or which otherwise appears to SERENA or its agents to have been sent from, Canada, Australia or Japan.
  
- (d) If any person, despite the restrictions referred to in paragraph 9(b) of Part B of this Appendix and whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the acceptance form or any related offering document in, into or from Canada, Australia or Japan or uses the mails or any means or instrumentality (including, without limitation, e-mail, facsimile transmission, telex and telephones) of interstate or foreign commerce of, or any facilities of a national securities exchange of Canada, Australia or Japan in connection with that forwarding, that person should:
  - (i) inform the recipient of that fact;
  - (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
  - (iii) draw the attention of the recipient to this paragraph 9.



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**Table of Contents**

- (e) If any written notice from a Merant securityholder withdrawing such securityholder's acceptance in accordance with paragraph 4 of Part B of this Appendix 1 is received in an envelope postmarked in, or which otherwise appears to SERENA or its agents to have been sent from Canada, Australia or Japan, SERENA reserves the right, in its absolute discretion, to treat that notice as invalid.
- (f) The provisions of this paragraph 9 and any other terms of the offer relating to overseas holders of Merant securities may be waived, varied or modified as regards specific Merant securityholders or on a general basis by SERENA in its sole discretion. Subject to this discretion, the provisions of this paragraph 9 supersede any terms of the offer inconsistent with them. A reference in this paragraph 9 to a Merant securityholder includes the person or persons executing the acceptance form and, in the event of more than one person executing an acceptance form, the provisions of this paragraph 9 apply to them jointly and severally.

**10. PROCEDURES FOR ACCEPTING THE OFFER IN RESPECT OF MERANT SHARES**

- (a) Holders of Merant shares will have received with this document a form of acceptance. This section should be read together with the form of acceptance. The provisions of this section shall be deemed to be incorporated in, and to form a part of, the form of acceptance. The instructions printed on the form of acceptance shall be deemed to form part of the terms of the offer.

If a holder of Merant shares holds Merant shares in both certificated and uncertificated (that is, CREST) form, such holder should complete a separate form of acceptance for each holding. Similarly, such holder should complete a separate form of acceptance for Merant shares held in uncertificated form, but under different member account IDs, and for Merant shares held in certificated form, but under different designations.

- (b) To accept the offer, any Merant shareholder, including any person in the US who holds Merant shares, wishing to accept the offer in respect of all or any portion of such holder's Merant shares, should complete Box 1 and Box 2 and, if applicable, complete Boxes 3A or 3B, 4, 7, or 8 and, if such holder's Merant shares are in CREST, Box 6 on the form of acceptance. In all cases, Merant shareholders should then sign and date Box 5 of the form of acceptance in accordance with the instructions printed on it. All Merant shareholders who are individuals should sign the form of acceptance in the presence of a witness, who should also sign Box 5 in accordance with the instructions printed on it. Unless witnessed, an acceptance will not be valid.
- (c) An accepting Merant shareholder should return the completed, signed and (if you are an individual) witnessed form of acceptance, whether or not such Merant shares are in CREST, to the UK Receiving Agent. The completed form of acceptance, together, if such holder's Merant shares are in certificated form, with such holder's share certificate(s) and/or other document(s) of title, must be lodged with the UK Receiving Agent, as soon as possible, but in any event so as to arrive **NOT LATER THAN 3.00 PM (LONDON TIME), 10.00 AM (NEW YORK CITY TIME) ON 15 APRIL 2004.**

If you have any questions as to how to complete the form of acceptance please contact either (i) the UK Receiving Agent on 0870 162 3100, or if calling from outside the UK +44 20 8639 2157 or (ii) the Information Agent on 1 (800) 859-8509 if from the US, or 0800 917 8414 if from the UK or +44 20 7920 9700 from outside the UK.

- (d) If Merant shares are in uncertificated form, the holder should insert in Box 6 of the form of acceptance the participant ID and member account ID under which such Merant shares are held by him in CREST and otherwise complete and return the form of acceptance as described above. In addition, such holders should take (or procure to be taken) the action set out below to transfer the Merant shares in respect of which he wishes to accept the offer to an escrow balance, specifying the UK Receiving Agent (in its capacity as a CREST participant under the participant ID referred to below) as the escrow agent, as soon as possible but in any event so that the transfer to escrow settles **NOT LATER THAN 3.00 PM (LONDON TIME), 10.00 AM (NEW YORK CITY TIME) ON 15 APRIL 2004.**

**Table of Contents**

- (e) IF THE MERANT SECURITYHOLDER IS A CREST SPONSORED MEMBER, SUCH HOLDER SHOULD REFER TO THE HOLDER'S CREST SPONSOR BEFORE TAKING ANY ACTION. Such holder's sponsor will be able to confirm details of such holder's participant ID and the member account ID under which such holder's Merant shares are held. In addition, only the holder's CREST sponsor will be able to send the TTE Instruction to CRESTCo in relation to the holder's Merant shares.
- (f) If Merant shares are in uncertificated form, the holder of such Merant shares should send (or, if the holder is a CREST sponsored member, procure that the holder's CREST sponsor sends) a TTE Instruction to CRESTCo which must be properly authenticated in accordance with CRESTCo's specifications and which must contain, in addition to the other information that is required for a TTE Instruction to settle in CREST, the following details:
- (i) the number of Merant shares to be transferred to an escrow balance;
  - (ii) the member account ID of such Merant shareholder. This must be the same member account ID as the member account ID that is inserted in Box 6 of the form of acceptance;
  - (iii) the participant ID of such Merant shareholder. This must be the same participant ID as the participant ID that is inserted in Box 6 of the form of acceptance;
  - (iv) the participant ID of the escrow agent (the UK Receiving Agent in its capacity as a CREST receiving agent). This is RA10;
  - (v) the member account ID of the escrow agent. This is MERANT;
  - (vi) the form of acceptance Reference Number. This is the form of acceptance Reference Number that appears next to Box 6 on page 3 of the form of acceptance. This Reference Number should be inserted in the first eight characters of the shared note field on the TTE Instruction. Such insertion will enable the UK Receiving Agent to match the transfer to escrow to your form of acceptance. The holder of such shares should keep a separate record of this form of acceptance Reference Number for future reference;
  - (vii) the Intended Settlement Date. This should be as soon as possible and in any event not later than 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004;
  - (viii) the Corporate Action Number for the offer. This is allocated by CRESTCo and can be found by viewing the relevant Corporate Action Details in CREST;
  - (ix) the Corporate Action ISIN. This is GB 0002483831; and
  - (x) input with Standard Delivery instruction of 80.
- (g) After settlement of the TTE Instruction, such Merant shareholder will not be able to access the Merant shares concerned in CREST for any transaction or charging purposes. If all of the conditions are either satisfied, fulfilled or, to the extent permitted, waived, the escrow agent will transfer the Merant shares concerned to itself in accordance with paragraph 11(d) of Part B of this Appendix.
- (h) Such Merant shareholder is recommended to refer to the CREST Manual published by CRESTCo for further information on the CREST procedures outlined above. For ease of processing, such holder is requested, wherever possible, to ensure that a form of acceptance relates to only one transfer to escrow.

- (i) If no form of acceptance Reference Number, or an incorrect form of acceptance Reference Number, is included on the TTE Instruction, SERENA may treat any amount of Merant shares transferred to an escrow balance in favour of the escrow agent specified above from the participant ID and member account ID identified in the TTE Instruction as relating to any Form(s) of Acceptance which relate(s) to the same member account ID and participant ID (up to the amount of Merant shares inserted or deemed to be inserted on the Form(s) of Acceptance concerned).

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**Table of Contents**

- (j) Such Merant shareholder should note that CRESTCo does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. Such holder should therefore ensure that all necessary action is taken by him (or by such holder's CREST sponsor) to enable a TTE Instruction relating to such holder's Merant shares to settle prior to 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004. In this connection such holder is referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (k) SERENA will make an appropriate announcement if any of the details contained in this paragraph 10 alter for any reason.
- (l) Normal CREST procedures (including timings) apply in relation to any Merant shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the offer (whether any such conversion arises as a result of a transfer of Merant shares or otherwise). Merant shareholders who are proposing so to convert any Merant shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Merant shares as a result of the conversion to take all necessary steps in connection with an acceptance of the offer (in particular, as regards delivery of share certificates or other documents of title or transfers to an escrow balance as described above) prior to 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004.
- (m) If the share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, the form of acceptance should nevertheless be completed, signed and sent as stated above to the UK Receiving Agent so as to be received as soon as possible, but in any event no later than 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004, together with any share certificate(s) and/or other document(s) of title that is/are available, accompanied by a letter stating that the balance will follow or that the accepting holder has lost one or more of such holder's share certificate(s) and/or other documents of title. If the share certificate(s) and/or other document(s) of title are lost, the accepting holder should request the registrar of Merant, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, United Kingdom, to send him a letter of indemnity for completion in accordance with the instructions given. When completed, the letter of indemnity must be lodged with the UK Receiving Agent in accordance with the instructions given, in support of the form of acceptance. SERENA may treat as invalid, to the extent that it so determines in its absolute discretion, any acceptance which it has reason to believe has been delivered in breach of obligations owed to a third party by the person delivering it, including (if relevant) any obligation of the ADS Depository under the Amended and Restated Deposit Agreement dated as at 16 March 1998 relating to the Merant ADSs.

**11. FORM OF ACCEPTANCE FOR MERANT SHAREHOLDERS**

Each holder of Merant shares who executes and lodges or has executed and lodged on such holder's behalf a form of acceptance with the UK Receiving Agent, subject to the rights of withdrawal set out in this document, irrevocably undertakes, represents, warrants and agrees to and with SERENA, Lehman Brothers, the UK Receiving Agent (and so as to bind such holder, such holder's heirs, successors and assigns and such holder's personal or legal representatives) to the following effect:

- (a) that the execution of the form of acceptance shall constitute:
  - (i) an acceptance of the offer in respect of the number of Merant shares inserted or deemed to be inserted in Box 1 of the form of acceptance;
  - (ii) an irrevocable authority and request to SERENA and/or its agents to procure the issue to such Merant shareholder of such new SERENA shares to which such Merant shareholder becomes entitled under the offer;

**Table of Contents**

- (iii) if Box 3A or Box 3B of the form of acceptance is completed, an election under the mix and match election to receive, subject to availability as a result of offsetting elections:
  - (aa) new SERENA shares instead of the cash consideration to which he would otherwise have been entitled to in consequence of the basic terms of the offer in respect of the number of Merant shares inserted, or deemed to be inserted, in Box 3A; or
  - (bb) cash instead of the new SERENA shares to which he would otherwise have been entitled to in consequence of the basic terms of the offer in respect of the number of Merant shares inserted, or deemed to be inserted, in Box 3B;
- (iv) an agreement to execute any further documents and give any further assurances which may be required to enable SERENA to obtain the full benefit of paragraph 10 of Part B of this Appendix and this paragraph 11 and/or to perfect any of the authorities expressed to be given hereunder;

in each case on and subject to the terms and conditions set out or referred to in this document and the form of acceptance;

- (b) unless NO is put in Box 7 of the form of acceptance that such Merant shareholder;
  - (i) has not received or sent copies or originals of this document, the form of acceptance or any related offering document in, into or from Canada, Australia or Japan;
  - (ii) has not used in connection with the offer or the execution or delivery of the form of acceptance, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, e-mail, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facility of a national securities exchange of Canada, Australia or Japan;
  - (iii) has not mailed or otherwise sent the form of acceptance into or from Canada, Australia or Japan or signed in any of those jurisdictions and such Merant shareholder is accepting the offer from outside Canada, Australia or Japan; and
  - (iv) is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given any instructions with respect to the offer from outside Canada, Australia or Japan;
- (c) that the execution of the form of acceptance constitutes, subject to the offer becoming unconditional in all respects in accordance with its terms and to an accepting Merant shareholder not having validly withdrawn such shareholder's acceptance, the irrevocable appointment of any director of, or any person authorised by, SERENA or Lehman Brothers as such shareholder's agent and/or attorney with an irrevocable instruction and authorisation to:
  - (i) complete and execute all or any form(s) of transfer, renunciation or other document in relation to the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix 1 in favour of SERENA or as SERENA or its agents may direct;
  - (ii) deliver any form(s) of transfer, renunciation or other document with any certificate or other document of title for registration within six months of the offer becoming unconditional in all respects; and
  - (iii)

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take any other action as the agent and/or attorney may think necessary or expedient in connection with such shareholder's acceptance of the offer and/or the mix and match election and to vest in SERENA (or as it may direct) the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix;

- (d) that the execution of the form of acceptance and its delivery to the UK Receiving Agent constitutes an irrevocable appointment of the UK Receiving Agent as such Merant shareholder's attorney and/or agent and an irrevocable instruction and authority to such attorney and/or agent:
  - (i) subject to the offer becoming unconditional in all respects and such shareholder not having validly withdrawn such shareholder's acceptance, to transfer to SERENA (or to such other person or persons as SERENA or its agent may direct) by means of CREST all or any of the Relevant Merant shares (but not exceeding the number of Merant shares in respect of which the offer is accepted or deemed to be accepted); and

**Table of Contents**

- (ii) if the offer does not become unconditional in all respects, to give instructions to CRESTCo immediately after the offer lapses (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the offer lapsing) to transfer all relevant Merant shares to the original available balance of the accepting Merant shareholder.

In this paragraph, relevant Merant shares means Merant shares in uncertificated form in respect of which a transfer or transfers to escrow has or have been effected in accordance with the procedures described in paragraph 10 of Part B of this Appendix and where the transfer or transfers to escrow was or were made in respect of Merant shares held under the same member account ID and participant ID as the member account ID and participant ID relating to the relevant form of acceptance (but irrespective of whether or not any form of acceptance Reference Number, or a form of acceptance Reference Number corresponding to that appearing on the relevant form of acceptance, was included in the relevant transfer to escrow instruction);

- (e) that the execution of the form of acceptance constitutes, subject to the offer becoming unconditional in all respects and to an accepting Merant shareholder not having validly withdrawn such shareholder's acceptance, an irrevocable authority and request:
  - (i) to Merant or its agents to procure the registration of the transfer of the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix and, in respect of Merant shares that are in certificated form, the delivery of the share certificate(s) and other document(s) of title in respect of the Merant shares to SERENA or as it may direct;
  - (ii) if the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix are in certificated form, to SERENA or its agents to procure the dispatch by post (or by such other method as may be approved by the Panel) of a cheque for the cash consideration to which he is entitled under the offer;
  - (iii) if the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix are in uncertificated form, to SERENA or its agents to ensure that a payment obligation is created in favour of the Merant shareholder's payment bank in accordance with the CREST payment arrangements in respect of any cash consideration to which that shareholder is entitled; and
  - (iv) To SERENA, Merant or their respective agents to record and act on any instructions with regard to payments or notices which have been entered in the records of Merant in respect of such shareholder's holding of Merant shares;
- (f) that the execution of the form of acceptance constitutes such shareholder's agreement that SERENA may decide to dispatch all or part of the consideration payable to a Merant shareholder whose Merant shares are in uncertificated form in accordance with paragraph 11(e)(ii) of Part B of this Appendix;
- (g) that the execution of the form of acceptance gives a separate authority to any director of, or person authorised by, SERENA or Lehman Brothers within the terms of paragraph 7 of Part B of this Appendix;
- (h) that, subject to the offer becoming unconditional in all respects and the holder not having validly withdrawn the holder's acceptance (or if the offer will become unconditional in all respects or lapse on the outcome of the resolution in question or if the Panel gives its consent) and pending registration:
  - (i) SERENA or its agent shall be entitled to direct the exercise of any votes and any other rights and privileges (including the right to requisition the convening of a general or separate class meeting of Merant) attaching to the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix;
  - (ii)

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the execution of the form of acceptance by the Merant shareholder, in respect of the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix, constitutes an authority to Merant or its agent to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of Merant (including any share certificate(s) or other documents of title used as a result of conversion of such offeree Shares into certificated form) to SERENA, care of the UK Receiving Agent;

I-25

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**Table of Contents**

- (iii) the execution of the form of acceptance by the Merant shareholder, in respect of the Merant shares comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn, constitutes an authority to any director of, or person authorised by, SERENA or Lehman Brothers to sign any document and do such things as may in the opinion of that agent and/or attorney seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the Merant shares held by such shareholder (including, without limitation, signing any consent to short notice of a general or separate class meeting as such shareholder's agent and/or attorney and on such shareholder's behalf and executing a form of proxy appointing any person nominated by SERENA to attend general and separate class meetings of Merant and attending any such meeting and exercising the votes attaching to the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix on such shareholder's behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding Condition of the offer); and
- (iv) the execution of the form of acceptance by the Merant shareholder, in respect of the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix, constitutes an agreement not to exercise any such rights without the consent of SERENA and irrevocably undertakes not to appoint a proxy for or to attend such general or separate class meetings of Merant.

This authority will cease to be valid if the acceptance is validly withdrawn in accordance with paragraph 4 of Part B of this Appendix;

- (i) that the holder will deliver to the UK Receiving Agent, or procure the delivery to the UK Receiving Agent of, the holder's share certificates and/or other document(s) of title in respect of those Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix that are in certificated form, or an indemnity acceptable to SERENA, as soon as possible and in any event within two months of the offer becoming unconditional in all respects;
- (j) that the holder is the sole legal and beneficial owner of the Merant shares in respect of which the offer is accepted or deemed to be accepted or the holder is the legal owner of such Merant shares and has the necessary capacity and authority to execute the form of acceptance;
- (k) that the holder agrees and acknowledges that the holder is not a customer (as defined in the rules of The Financial Services Authority) of Lehman Brothers in connection with the offer;
- (l) that the holder will take (or procure to be taken) the necessary action to transfer all those Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix that are in uncertificated form in respect of which the offer has been accepted and not validly withdrawn to an escrow balance as soon as possible and in any event so that the transfer to escrow settles within two months of the offer becoming unconditional in all respects;
- (m) that if for any reason any Merant shares in respect of which a transfer to an escrow balance has been effected are converted to certificated form, the holder will immediately deliver or ensure the immediate delivery of the share certificates or other documents of title in respect of all those Merant shares that are converted to the UK Receiving Agent at the address specified in the section of this document entitled Further Information ;
- (n) that the creation of a payment obligation in favour of the holder's payment bank in accordance with the CREST payment arrangements as referred to in paragraph 11(e)(iii) of Part B of this Appendix will, to the extent of the obligation so created, discharge fully any obligation of SERENA or Lehman Brothers to pay to him the cash consideration to which the holder is entitled under the offer;
- (o) that the holder will do everything as shall in the opinion of SERENA or its agents be necessary or expedient to vest in SERENA or its nominees the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix and to enable the UK Receiving Agent to perform its functions as escrow agent for the purposes of the offer;



**Table of Contents**

- (p) that the holder agrees to ratify everything which may be done or effected by any director of, or person authorised by, SERENA, Lehman Brothers or the UK Receiving Agent in exercise of any of the powers and/or authorities under Part B of this Appendix;
- (q) that, if any provision of Part B of this Appendix will be unenforceable or invalid or will not operate so as to afford SERENA, Lehman Brothers or the UK Receiving Agent or any of their respective directors or persons authorised by them, the benefit of the authority expressed to be given in Part B of this Appendix, the holder will, with all practicable speed, do everything that may be required or desirable to enable SERENA, Lehman Brothers and the UK Receiving Agent and any of their respective directors or persons authorised by them to secure the full benefit of Part B of this Appendix;
- (r) that the holder represents and warrants that the holder is entitled to sell and transfer the beneficial ownership of the Merant shares referred to in paragraph 11(a)(i) of Part B of this Appendix and that such Shares are sold fully paid and free from all liens, equities, charges, encumbrances and other interests and together with all rights attaching to them on or after 15 April 2004 including without limitation, the right to receive and retain all dividends and other distributions declared, made or payable after that date;
- (s) that such holder agrees that the terms and conditions of the offer are deemed to be incorporated in, and form part of, the form of acceptance which shall be read and construed accordingly;
- (t) that such holder agrees that, on execution, the form of acceptance takes effect as a deed; and
- (u) that such holder agrees that the execution of the form of acceptance constitutes such holder's submission to the jurisdiction of the courts of England in relation to all matters arising in connection with the offer and the form of acceptance and that nothing shall limit the right of SERENA and/or Lehman Brothers to bring any action, suit or proceeding arising out of or in connection with the offer and the form of acceptance in any other manner permitted by law or in any court of competent jurisdiction.

A reference in this paragraph 11 to a holder of Merant shares includes a reference to the person or persons executing the form of acceptance and in the event of more than one person executing a form of acceptance, the provisions of this paragraph 11 will apply to them jointly and to each of them.

**12. PROCEDURES FOR ACCEPTANCE IN RESPECT OF MERANT ADSs**

- (a) Letter of transmittal/Notice of guaranteed delivery

If you are a holder of Merant ADSs evidenced by Merant ADRs, you will have also received a letter of transmittal and a notice of guaranteed delivery for use in connection with the offer. This section should be read together with the instructions on the letter of transmittal. The provisions of this paragraph 12 shall be deemed to be incorporated in, and form a part of, the relevant letter of transmittal. The instructions printed on the relevant letter of transmittal shall be deemed to form part of the terms of the offer.

- (b) Valid tendering

For a holder of Merant ADSs evidenced by Merant ADRs to tender such Merant ADSs validly pursuant to the offer, either:

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- (i) a properly completed and duly executed letter of transmittal, together with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the letter of transmittal, must be received by the US Depository at one of its addresses set out in the section of this document entitled "Further Information" and either the Merant ADRs evidencing such Merant ADSs must be received by the US Depository at one of such addresses or such Merant

I-27

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**Table of Contents**

ADRs evidencing such Merant ADSs must be delivered pursuant to the procedure for book-entry transfer set forth below (and a Book-Entry Confirmation received by the US Depository in accordance with such procedures); or

- (ii) such holder must comply with the guaranteed delivery procedures set out in paragraph 12(h) below.

The offer in respect of Merant ADSs evidenced by Merant ADRs shall be validly accepted by: (i) delivery of a letter of transmittal, the relevant Merant ADRs evidencing Merant ADSs and other required documents to the US Depository by a holder of Merant ADSs (without any further action by the US Depository) subject to the terms and conditions set out in this document and the letter of transmittal; or (ii) completion of the book-entry transfer procedures described below. The acceptance of the offer by a tendering holder of Merant ADSs evidenced by Merant ADRs pursuant to the procedures described above, subject to the withdrawal rights described below, will be deemed to constitute a binding agreement between such tendering holder of Merant ADSs and SERENA upon the terms and subject to the conditions of the offer. Accordingly, references in this document and in the letter of transmittal to a tender of Merant ADS shall be construed to mean an acceptance of the offer in respect of such Merant ADS upon the terms and subject to the conditions of the offer. If a Merant ADR evidencing a Merant ADS has been tendered by a holder of Merant ADSs, the Merant shares represented by such Merant ADSs may not be tendered independently by such holder of Merant shares. A letter of transmittal and other required documents contained in an envelope postmarked in Canada, Australia or Japan or otherwise appearing to SERENA or its agents to have been sent from Canada, Australia or Japan may be rejected as invalid.

- (c) Book-entry transfer

The US Depository will establish an account at each of the Book-Entry Transfer Facilities with respect to interests in Merant ADSs evidenced by Merant ADRs held in book-entry form for the purposes of the offer within two business days from the date of this document. Any financial institution that is a participant in any of the Book-Entry Transfer Facility's systems may make book-entry delivery of interests in Merant ADSs by causing a Book-Entry Transfer Facility to transfer such interests in Merant ADSs into the US Depository's account at such Book-Entry Transfer Facility in accordance with that Book-Entry Transfer Facility's procedures for such transfer.

Although delivery of interests in Merant ADSs evidenced by Merant ADRs may be effected through book-entry transfer into the US Depository's account at a Book-Entry Transfer Facility, either:

- (i) the letter of transmittal, properly completed and duly executed, together with any required signature guarantees; or
- (ii) an Agent's Message,

and, in either case, any other required documents, must in any case be transmitted to, and received by, the US Depository at one of its addresses set out in the section of this document entitled "Further Information" before Merant ADSs evidenced by Merant ADRs will be either counted as a valid acceptance, or purchased, or such holder must comply with the Guaranteed Delivery Procedures described below. Delivery of documents to a Book-Entry Transfer Facility does not constitute delivery to the US Depository.

- (d) Method of delivery

The method of delivery of Merant ADRs, letters of transmittal and all other required documents is at the option and risk of the tendering holder of Merant ADSs. Merant ADSs will be deemed delivered only when the Merant ADRs representing such Merant ADSs are actually received by the US Depository (including in the case of a book-entry transfer, by Book-Entry Confirmation). If delivery is by mail, registered mail with

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return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery. No acknowledgement of receipt of documents will be given by, or on behalf of, SERENA.

I-28

**Table of Contents**

(e) Signature guarantees

No signature guarantee is required on the letter of transmittal if:

- (i) the letter of transmittal is signed by the registered holder of the Merant ADSs tendered therewith and such registered holder has not completed either the Box entitled "Special Delivery Instructions" or the Box entitled "Special Payment Instructions" in the letter of transmittal; or
- (ii) such Merant ADSs are tendered for the account of an Eligible Institution.

In all other cases, all signatures on letters of transmittal must be guaranteed by an Eligible Institution. See Instructions 1 and 5 to the letter of transmittal.

(f) Merant ADSs and Merant ADRs

If the Merant ADSs are registered in the name of a person other than the person who signs the letter of transmittal, then the tendered Merant ADRs must be endorsed or accompanied by appropriate stock powers, signed exactly as the name or names of the registered owner or owners appear on the Merant ADRs, with the signatures on the Merant ADRs or stock powers guaranteed as aforesaid. See Instruction 5 to the letter of transmittal.

(g) Partial acceptances (not applicable to book-entry holders of Merant ADSs)

If fewer than all of the Merant ADSs evidenced by any Merant ADRs delivered to the US Depository are to be tendered, the holder thereof should so indicate in the letter of transmittal by filling in the number of Merant ADSs which are tendered in the Box entitled "Number of ADSs Tendered". In such case, a new Merant ADR for the remainder of the Merant ADSs represented by the former Merant ADR will be sent to the person(s) signing such letter of transmittal (or as such person properly indicates thereon) as promptly as practicable following the date the tendered Merant ADSs are purchased. All Merant ADSs delivered to the US Depository will be deemed to have been tendered unless otherwise indicated. See Instruction 4 to the letter of transmittal. In the case of partial tenders, Merant ADSs not tendered will not be reissued to a person other than the registered holder.

(h) Guaranteed delivery procedures

- (i) If a holder of Merant ADSs evidenced by Merant ADRs wishes to tender Merant ADSs pursuant to the offer and the Merant ADRs evidencing such Merant ADSs are not immediately available or the procedures for book-entry transfer cannot be completed on a timely basis, or if time will not permit all required documents to reach the US Depository whilst the offer remains open for acceptance, such holder's tender of Merant ADSs may be effected if all of the following conditions are satisfied, referred to as the Guaranteed Delivery Procedures:

- (aa) such tender is made by or through an Eligible Institution;

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- (bb) a properly completed and duly executed notice of guaranteed delivery substantially in the form provided by SERENA is received by the US Depositary, as provided below, whilst the offer remains open for acceptance; and
  
  - (cc) the Merant ADRs evidencing all tendered Merant ADSs (or, in the case of Merant ADSs held in book-entry form, timely confirmation of the book-entry transfer of such interests in Merant ADSs into the US Depositary's account at a Book-Entry Transfer Facility as described above) together with a properly completed and duly executed letter of transmittal with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message and any other documents required by the letter of transmittal, are received by the US Depositary within three Nasdaq business days after the date of execution of such notice of guaranteed delivery.
- (ii) The Notice of Guaranteed Delivery may be delivered by hand, transmitted by facsimile transmission or mailed to the US Depositary and must include a signature guarantee by an Eligible Institution in the form set out in such notice of guaranteed delivery.

**Table of Contents**

(iii) Receipt of a notice of guaranteed delivery will not be treated as a valid acceptance for the purpose of satisfying the Acceptance Condition. To be counted towards satisfaction of this requirement, the Merant ADRs evidencing Merant ADSs referred to in the notice of guaranteed delivery must be received prior to the relevant closing date by the US Depository (or, in the case of interests in Merant ADSs evidenced by Merant ADRs held in book-entry form, timely confirmation of a book-entry transfer of such interests in Merant ADSs into the US Depository's account at a Book-Entry Transfer Facility pursuant to the procedures set out above) together with a duly executed letter of transmittal with any required signature guarantees (or, in the case of a book-entry transfer an Agent's Message) and any other required documents.

(i) Other requirements

By executing the letter of transmittal as set out above, the tendering holder of Merant ADSs evidenced by Merant ADRs will agree that, effective from and after the date all conditions are either satisfied, fulfilled or, to the extent permitted, waived (unless the tendering holder shall have validly withdrawn such holder's tender prior to that time):

- (i) SERENA or its agents shall be entitled to direct the exercise of any votes attaching to any Merant shares represented by Merant ADSs, in respect of which the offer has been accepted or is deemed to have been accepted, referred to as the accepted ADSs, and any other rights and privileges attaching to such Merant shares, including any right to requisition a general meeting of Merant or any class of its shareholders;
- (ii) the execution of the letter of transmittal (together with any signature guarantees) and its delivery to the US Depository or the completion of the book-entry transfer procedures shall constitute:
  - (aa) an authority to Merant or its agents from the tendering holder of accepted ADSs to send any notice, circular, warrant, document or other communication that may be required to be sent to him as a holder of Merant ADSs, to SERENA at the office of the UK Receiving Agent;
  - (bb) an authority to SERENA or its agent to sign any consent to short notice of a general meeting or separate class meeting on behalf of the tendering holder of accepted ADSs and/or to execute a form of proxy in respect of such accepted ADSs appointing any person nominated by SERENA to attend general meetings and separate class meetings of Merant and any adjournment thereof and to exercise the votes attaching to the Merant shares represented by such accepted ADSs on such tendering holder's behalf;
  - (cc) the agreement of such tendering holder of accepted ADSs not to exercise any of such rights without the consent of SERENA and the irrevocable undertaking of such tendering holder of accepted ADSs not to appoint a proxy for or to attend any such general meetings or separate class meetings;
  - (dd) a representation and warranty that such holder of Merant ADSs; (i) has not received or sent copies or originals of this document or any letter of transmittal or any related documents in, into or from, Canada, Australia or Japan; (ii) has not used in connection with the offer or the execution or delivery of the letter of transmittal, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, e-mail, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facility of a national securities exchange of Canada, Australia or Japan; (iii) is accepting the offer from outside Canada, Australia or Japan; and (iv) is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given any instructions with respect to the offer from outside Canada, Australia or Japan;
  - (ee) confirmation that such holder of Merant ADSs is entitled to sell and transfer the beneficial ownership of the accepted ADSs and that such accepted ADSs are sold fully paid and free from all liens, equitable interests, charges, and encumbrances and

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together with all rights attaching thereto including voting rights and the right to all dividends and other distributions declared, paid

I-30

## **Table of Contents**

or made on or after 15 April 2004 including, without limitation, the right to receive and retain all dividends and other distributions declared, made or payable after that date; and

- (ff) the execution of the letter of transmittal (together with any signature guarantees) and its delivery to the US Depository (or the completion of the Book-entry transfer procedures) shall constitute an authority to any director of SERENA or Lehman Brothers and to SERENA or Lehman Brothers and/or their respective agents in accordance with the terms of paragraph 7 of Part B of this Appendix.

References in this paragraph 12 to a holder of Merant ADSs shall include references to the person or persons executing a letter of transmittal and in the event of more than one person executing a letter of transmittal the provisions of this Part B shall apply to them jointly and to each of them.

### **13. CURRENCY OF CASH CONSIDERATION**

Instead of receiving cash consideration in pounds sterling, Merant securityholders who so wish may elect to receive US dollars on the basis that the cash amount payable in pounds sterling to which such holder would otherwise be entitled pursuant to the terms of the offer will be converted, subject to conversion expenses, from pounds sterling to US dollars at the exchange rate obtainable by the relevant payment agent (either the UK Receiving Agent or the US Depository) on the spot market in London on the date the cash consideration is made available by SERENA to the relevant payment agent for delivery in respect of the relevant Merant shares. A Merant securityholder may receive such amount on the basis set out above only in respect of the whole of such securityholder's holding of Merant shares in respect of which such securityholder accepts the offer. Merant securityholders may not elect to receive both pounds sterling and US dollars.

Holders of Merant ADSs are entitled under the terms of the offer to receive the cash element of the consideration in pounds sterling. The pounds sterling consideration available to holders of Merant ADSs is the same, per Merant share as that offered to Merant securityholders. To facilitate the settlement of the offer, unless they elect to receive pounds sterling, holders of Merant ADSs will receive consideration converted into US dollars as described above, as if such holders of Merant ADSs had elected to receive dollars.

Consideration in US dollars may be inappropriate for Merant securityholders other than persons in the US and holders of Merant ADSs.

The actual amount of US dollars received will depend upon the exchange rate prevailing on the day on which funds are made available to the relevant payment agent by SERENA. Merant securityholders should be aware that the US dollar/pounds sterling exchange rate which is prevailing at the date on which an election is made to receive dollars and on the dates of dispatch and receipt of payment may be different from that prevailing on the day on which funds are made available to the relevant payment agent by SERENA. In all cases, fluctuations in the US dollar/pounds sterling exchange rate are at the risk of accepting Merant securityholders who elect or are treated as having elected to receive their consideration in US dollars. Neither SERENA nor any of its advisors or agents shall have any responsibility with respect to the actual amount of cash consideration payable other than in pounds sterling.

### **14. SUBSTITUTE ACCEPTANCE FORMS**

Holders of Merant securities have been sent with this document a form of acceptance and/or a letter of transmittal (accompanied by a notice of guaranteed delivery). All holders of Merant shares, including persons in the US who hold Merant shares, have been sent a form of acceptance,

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which they must use to accept the offer. All holders of Merant ADSs have been sent a letter of transmittal and a notice of guaranteed delivery which they must use to accept the offer. Should any holder of Merant securities receive an incorrect form with which to accept the offer or require any additional forms, that person should contact the UK Receiving Agent or the US Depositary at the addresses set out in the section of this document entitled Further Information, who will provide the appropriate forms.

I-31

**Table of Contents**

**APPENDIX 2**

**FURTHER INFORMATION ON SERENA**

	<b>PAGE</b>
1. Business Description	II-2
2. Financial Information for SERENA	II-3
3. Results for the nine months ended 31 October 2003	II-27

II-1

**Table of Contents****BUSINESS DESCRIPTION**

SERENA is an industry leader in ECM solutions focused on the mainframe platform. For over twenty years we have focused exclusively on providing solutions that help companies automate change to the applications that run their businesses. Today our products are in use at over 3,600 customer sites including 46 of the Fortune 50. We believe our SERENA Application Framework for Enterprises (SAFE) is the next step in ECM, providing cross-platform, cross-process and cross-organizational support across application life cycle processes. With headquarters in San Mateo, California, we serve customers worldwide through local offices and an international network of distributors.

We are listed on Nasdaq under the symbol SRNA. We have a current market capitalization of approximately US\$755 million based on the closing price of SERENA shares on 15 March 2004, the latest practicable date prior to the posting of this document. In the years ended 31 January 2004 and 2003, we reported the following results (in millions of US Dollars, except per share data):

	Year ended	Year ended
	31 January 2004	31 January 2003
Revenues	105.6	95.8
Profit before tax	33.7	37.3
Charge for tax	12.3	14.1
Net profit after tax	21.4	23.2
Earnings per share	0.53	0.57

In the quarters ended 31 January 2004 and 2003, we reported the following results (in millions of US Dollars, except per share data):

	Quarter ended	Quarter ended
	31 January 2004	31 January 2003
Revenues	29.6	26.1
Profit before tax	9.3	10.8
Charge for tax	3.4	4.0
Net profit after tax	6.0	6.8
Earnings per share	0.15	0.17

As at 31 January 2004, we had total cash and cash equivalents of US\$377 million.

**Recent Developments**

In December 2003, we issued \$220 million of subordinated convertible notes due 2023, referred to as the convertible notes, in a private offering. The convertible notes mature on December 15, 2023, bear interest at a coupon rate of one and one half percent annually, and will be converted into our common stock if our stock price reaches levels specified in the notes. In connection with the issuance of our convertible notes we incurred \$6.7 million of transaction costs, which primarily consisted of investment banker, legal and other professional fees which are being

amortized using the straight-line method over the term of the convertible notes.

II-2

**Table of Contents****FINANCIAL INFORMATION****SERENA SOFTWARE, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	<b>January 31,</b>	
	<b>2002</b>	<b>2003</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 85,954	\$ 105,402
Short-term investments	46,640	37,672
Accounts receivable, net of allowance of \$846 and \$869 in fiscal 2002 and 2003, respectively	14,111	16,514
Deferred taxes	5,834	6,549
Prepaid expenses and other current assets	838	744
<b>Total current assets</b>	<b>153,377</b>	<b>166,881</b>
Long-term investments	24,321	48,374
Property and equipment, net	3,036	3,078
Deferred taxes		561
Goodwill and other intangible assets, net	50,135	45,360
Other assets	201	269
<b>Total assets</b>	<b>\$ 231,070</b>	<b>\$ 264,523</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 710	\$ 533
Income taxes payable	1,650	7,921
Accrued expenses	11,762	8,266
Deferred revenue	21,877	26,010
<b>Total current liabilities</b>	<b>35,999</b>	<b>42,730</b>
Deferred revenue, net of current portion	8,886	8,373
Deferred taxes	1,409	458
<b>Total liabilities</b>	<b>46,294</b>	<b>51,561</b>
Commitments and contingencies:		
Stockholders equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$0.001 par value; 90,000,000 shares authorized; 40,274,214 and 40,645,508 shares issued and outstanding at January 31, 2002 and 2003, respectively	40	41

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Additional paid-in capital	123,517	126,006
Deferred stock-based compensation	(23)	
Notes receivable from stockholders	(10,350)	(8,519)
Accumulated other comprehensive income	21	709
Retained earnings	71,571	94,725
	<u>          </u>	<u>          </u>
Total stockholders' equity	184,776	212,962
	<u>          </u>	<u>          </u>
Total liabilities and stockholders' equity	\$ 231,070	\$ 264,523
	<u>          </u>	<u>          </u>

See accompanying notes to consolidated financial statements

**Table of Contents****SERENA SOFTWARE, INC.****CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME****(in thousands, except per share data)**

	<b>Fiscal Year Ended January 31,</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Revenue:</b>			
Software licenses	\$ 58,037	\$ 49,514	\$ 44,250
Maintenance	37,227	41,812	44,476
Professional services	8,345	7,315	7,049
<b>Total revenue</b>	<b>103,609</b>	<b>98,641</b>	<b>95,775</b>
<b>Cost of revenue:</b>			
Software licenses	1,600	931	1,224
Maintenance	5,610	5,448	5,548
Professional services	6,938	6,576	6,519
<b>Total cost of revenue</b>	<b>14,148</b>	<b>12,955</b>	<b>13,291</b>
<b>Gross profit</b>	<b>89,461</b>	<b>85,686</b>	<b>82,484</b>
<b>Operating expenses:</b>			
Sales and marketing	27,154	29,357	26,361
Research and development	10,101	13,308	11,779
General and administrative	8,511	6,618	7,311
Stock-based compensation	223	135	23
Amortization of intangible assets, including goodwill in fiscal 2001 and 2002	5,146	8,336	4,486
Acquired in-process research and development	2,972		
Restructuring charges		2,529	
<b>Total operating expenses</b>	<b>54,107</b>	<b>60,283</b>	<b>49,960</b>
<b>Operating income</b>	<b>35,354</b>	<b>25,403</b>	<b>32,524</b>
Interest and other income, net	7,475	5,968	4,726
<b>Income before income taxes</b>	<b>42,829</b>	<b>31,371</b>	<b>37,250</b>
Income taxes	18,575	12,862	14,096
<b>Net income</b>	<b>\$ 24,254</b>	<b>\$ 18,509</b>	<b>\$ 23,154</b>
<b>Comprehensive income:</b>			
Net income	\$ 24,254	\$ 18,509	\$ 23,154
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(202)	(5)	312

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Unrealized gain on marketable securities	101	167	376
Other comprehensive (loss) income	(101)	162	688
Total comprehensive income	\$ 24,153	\$ 18,671	\$ 23,842
Net income per share:			
Basic	\$ 0.63	\$ 0.46	\$ 0.57
Diluted	\$ 0.60	\$ 0.46	\$ 0.57
Weighted average shares used in per share calculations:			
Basic	38,522	39,768	40,367
Diluted	40,729	40,760	40,854

See accompanying notes to consolidated financial statements

**Table of Contents****SERENA SOFTWARE, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(in thousands, except share data)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Deferred Stock-based Compensation</u>	<u>Notes Receivable from Stockholders</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Retained Earnings</u>	<u>Total Stockholders Equity</u>
	<u>Shares</u>	<u>Amount</u>						
Balance as of January 31, 2000	38,285,612	\$ 38	\$ 89,281	\$ (380)	\$ (3,182)	\$ (40)	\$ 28,808	\$ 114,525
Issuance of common stock under HPS, StarTool and UltiMIS acquisitions	396,324	1	14,281					14,282
Issuance of common stock under the employee stock purchase plan	183,449		1,484					1,484
Issuance of restricted common stock for notes receivable, net of repurchases	484,500	1	9,293		(9,294)			
Common stock options exercised	338,628		1,049					1,049
Payments of accrued interest and principal on restricted common stock					1,379			1,379
Amortization of stock-based compensation				223				223
Accrued interest on note receivable					(1,017)			(1,017)
Tax benefit from employee stock plans			1,067					1,067
Net income							24,254	24,254
Other comprehensive loss						(101)		(101)
Balance as of January 31, 2001	39,688,513	40	116,455	(157)	(12,114)	(141)	53,062	157,145
Issuance of common stock under the employee stock purchase plan	146,921		1,802					1,802
Repurchase of common stock	(80,000)		(794)					(794)
Common stock options exercised	518,780		3,206					3,206
Payments of accrued interest and principal on restricted common stock					2,474			2,474
Amortization of stock-based compensation				134				134
Accrued interest on note receivable					(710)			(710)
Issuance of stock warrant			129					129
Tax benefit from employee stock plans			2,719					2,719
Net income							18,509	18,509
Other comprehensive income						162		162