SERENA SOFTWARE INC
Form PRER14A
January 11, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934, as amended

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a 6(e)(2))**

SERENA SOFTWARE, INC.

(Name of Registrant as Specified in its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

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

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

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

2) Aggregate number of securities to which transaction applies:

33,857,697 shares of Serena common stock and options to purchase 6,190,123 shares of Serena common stock (1)

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

$24.00 per share of Serena common stock

$24.00 minus weighted average exercise price of outstanding options of $19.17 per share subject to an option

4) Proposed maximum aggregate value of transaction:

$842,483,022 (1)

5) Total fee paid:

$90,146 (1)

¨ Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:
$90,076

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2) Form, Schedule or Registration Statement No.:
Schedule 14A

3) Filing Party:
Serena Software, Inc.

4) Date Filed:
December 1, 2005

(1) Pursuant to the Agreement and Plan of Merger dated as of November 11, 2005, Spyglass Merger Corp. will merge into the Registrant and each outstanding share of common stock of the Registrant shall be converted into the right to receive $24.00, except for shares that are owned by the Registrant as treasury stock or owned by Spyglass Merger Corp. or any wholly owned subsidiary of Spyglass Merger Corp., which will be cancelled without any payment therefor, and except for shares that are owned by any wholly owned subsidiary of the Registrant that is not an employee benefit trust, which will remain outstanding. Pursuant to a Contribution and Voting Agreement, one of the stockholders of the Registrant will contribute 7,518,483 shares of common stock of the Registrant to Spyglass Merger Corp. immediately prior to the merger in exchange for shares of Spyglass Merger Corp. Each holder of options to acquire the Registrant s common stock shall be entitled to receive, in consideration of the cancellation of such stock options, an amount (net of applicable taxes) equal to the product of (i) the excess, if any, of $24.00 per share of common stock over the exercise price per share of common stock subject to such stock option, multiplied by (ii) the total number of shares subject to such stock option. As of January 5, 2006, there were 41,376,180 shares of common stock of the Registrant issued and outstanding, and there were 6,190,123 shares of common stock of the Registrant subject to outstanding stock options, with a weighted-average exercise price of $19.17 per share. The filing fee was determined by adding (x) the product of (i) the number of shares of Common Stock that are proposed to be acquired in the transactions (calculated by subtracting 7,518,483 from 41,376,180) and (ii) the transaction consideration of $24.00 per share of Common Stock, plus (y) the product of (1) the total number of shares of Serena common stock subject to outstanding stock options multiplied by (2) the excess, if any, of $24.00 over the weighted average exercise price for such stock options ((x) and (y) together, the Merger Consideration). The filing fee was calculated in accordance with Regulation 240.00-11 under the Exchange Act, by multiplying the Merger Consideration by 0.000107.

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Preliminary Copy

SERENA SOFTWARE, INC.

2755 Campus Drive, 3rd Floor

San Mateo, CA 94403-2538

650-522-6600

, 2006

Dear Fellow Stockholder:

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

At this meeting, you will be asked to consider and vote upon a proposal to adopt an agreement and plan of merger dated as of November 11, 2005, entered into by and between Serena and Spyglass Merger Corp., pursuant to which Spyglass Merger Corp. will be merged with and into Serena, with Serena continuing as the surviving corporation. If the merger is completed, each share of Serena common stock issued and outstanding at the effective time of the merger will be converted into the right to receive $24.00 in cash, without interest, other than shares held by Serena as treasury stock or owned by Spyglass Merger Corp. or any wholly owned subsidiary of Spyglass Merger Corp., which will be cancelled without payment, shares held by any of our wholly owned subsidiaries that are not employee benefit trusts, which will remain outstanding, and shares held by stockholders who are entitled to, and who properly exercise and perfect, appraisal rights in compliance with all of the required procedures under Delaware law.

If the merger is completed, Serena will continue its operations as a privately-held company owned by affiliates of Silver Lake Partners, a private equity firm, Douglas D. Troxel, the Chairman of our board of directors and Chief Technology Officer, Robert I. Pender, Jr., our Chief Financial Officer and Senior Vice President, Finance and Administration, who is also one of our directors, me, and other members of our current senior management.

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

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

merger agreement.

In reaching their decisions, the special committee and the board of directors considered, among other things, an opinion dated November 10, 2005, of Morgan Stanley & Co. Incorporated, the financial advisor to the special committee, to the effect that, as of November 10, 2005, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the $24.00 per share consideration to be received by holders of shares of Serena common stock pursuant to the merger agreement was fair from a financial point of view to holders of Serena common stock other than Mr. Troxel, who is exchanging a portion of his Serena common stock for common stock of Spyglass Merger Corp. immediately prior to the merger. Serena has agreed to pay Morgan Stanley a fee for its services of approximately $8.7 million, approximately $6.5 million of which is contingent upon the consummation of the merger.

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

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

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

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

Thank you for your cooperation and continued support.

Sincerely,

Mark E. Woodward

President and

Chief Executive Officer

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

THE ACCOMPANYING PROXY STATEMENT IS DATED , 2006

AND IS FIRST BEING MAILED TO STOCKHOLDERS ON OR ABOUT , 2006.

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SERENA SOFTWARE, INC.

2755 Campus Drive, 3rd Floor

San Mateo, CA 94403-2538

650-522-6600

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be Held on , 2006

To Our Stockholders:

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

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of November 11, 2005 (the merger agreement), between Serena and Spyglass Merger Corp., pursuant to which, upon the merger becoming effective, each share of common stock, par value $0.001 per share, of Serena will be converted into the right to receive $24.00 in cash, without interest, other than shares held by Serena as treasury stock or owned by Spyglass Merger Corp. or any wholly owned subsidiary of Spyglass Merger Corp., which will be cancelled, shares that are owned by any wholly owned subsidiary of Serena that is not an employee benefit trust, which will remain outstanding, and shares held by stockholders who are entitled to and who properly exercise and perfect appraisal rights in compliance with all of the required procedures under Delaware law;

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

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

Only holders of Serena s common stock at the close of business on , 2006 are entitled to notice of and to vote at the special meeting and any adjournment thereof.

You are cordially invited to attend the meeting in person.

Your vote is important, regardless of the number of shares of Serena s common stock that you own. The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Serena s common stock entitled to vote on that proposal. The proposal to adjourn the meeting, if necessary, to solicit additional proxies requires the affirmative vote of a majority of the shares present and entitled to vote at the special meeting if a quorum is not present, or the holders of a majority of the stock having the power to vote in person or be represented by proxy at such special meeting if a quorum is present.

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

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

By Order of the Board of Directors,

Vita A. Strimaitis

Senior Vice President,

General Counsel and Secretary

San Mateo, California

, 2006

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SUMMARY TERM SHEET

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

The Merger and Related Matters

The Merger. You are being asked to vote to adopt an agreement and plan of merger between Serena and Spyglass Merger Corp., which provides for the merger of Spyglass Merger Corp. with and into Serena. Upon the completion of the merger, Serena will be the surviving corporation and the separate existence of Spyglass Merger Corp. will cease. We refer to the agreement and plan of merger in this proxy statement as the merger agreement. See The Merger Agreement beginning on page 74. A copy of the merger agreement is attached as Annex A to this proxy statement.

Parties to the Merger. Serena is a Delaware corporation that was incorporated in California in 1980 and reincorporated in Delaware in 1998. Serena is the largest company in terms of revenue solely focused on managing change in the information technology, or IT, environment. Serena s products and services automate processes and control change for teams managing development, web content and IT infrastructure. Serena s solutions take a cross-platform and cross-organizational view of enterprise applications, allowing customers to define, enforce and automate application lifecycle processes. Spyglass Merger Corp. is a Delaware corporation that was incorporated on November 7, 2005 by Silver Lake Partners II, L.P., an affiliate of a private equity firm known as Silver Lake Partners, solely for the purpose of completing the merger and the related financings and transactions. Spyglass Merger Corp. has not participated in any activities to date other than activities incident to its formation and the transactions contemplated by the merger agreement. As of the date of this proxy statement, Silver Lake Partners II, L.P. is the sole stockholder of Spyglass Merger Corp. See The Parties to the Merger beginning on page 65.

Management Participants. Douglas D. Troxel, the Chairman of our board of directors and Chief Technology Officer, has agreed to cause an affiliate of his to contribute a portion of the shares of Serena common stock held by it to Spyglass Merger Corp. prior to the completion of the merger in exchange for shares of Spyglass Merger Corp., which will convert into shares of Serena upon completion of the merger. The shares contributed by Mr. Troxel s affiliate will be valued at $20.50 per share for purposes of this contribution. In addition, each of Mark E. Woodward, our Chief Executive Officer and President and one of our directors, and Robert I. Pender, Jr., our Chief Financial Officer and Senior Vice President, Finance and Administration and one of our directors, has agreed to contribute a portion of the shares of Serena common stock beneficially owned by him to Spyglass Merger Corp. prior to completion of the merger in exchange for shares of common stock of Spyglass Merger Corp., which will convert into shares of Serena upon completion of the merger. The shares contributed by Messrs. Woodward and Pender will be valued at $24.00 per share for purposes of such contribution and will be comprised of a portion of the restricted shares granted to them in June 2005. The number of shares of Spyglass Merger Corp. common stock that will be issued in exchange for the shares of Serena common stock contributed to Spyglass Merger Corp. by Messrs. Woodward and Pender and the affiliate of Mr. Troxel will be equal to the aggregate value of the shares of Serena common stock they contribute to Spyglass Merger Corp. divided by $5.00, which is the price per share being paid by Silver Lake Partners II, L.P. for shares of common stock of Spyglass Merger Corp. in connection with the financing of the merger. Each of Messrs. Woodward and Pender has also agreed to retain a portion of his existing options to acquire Serena common stock, which options will be amended and remain outstanding after the merger. Prior to completion of the merger, certain other members of our senior management also are expected to be provided with the opportunity to make or retain an equity investment in Serena after completion of the merger, which investment is expected to

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consist of the following, as determined by such members: (1) the acquisition of shares of Serena common stock upon completion of the merger for cash or the assignment to Spyglass Merger Corp. of the cash proceeds to be received in the merger by such members for shares of Serena common stock they currently hold, and/or (2) the retention of some or all of their existing options to acquire Serena common stock, which options would be amended and remain outstanding after the merger. Upon completion of the merger, Serena is expected to adopt a management equity incentive plan pursuant to which options to acquire up to an additional 12% of the fully diluted Serena common stock after the merger may be issued to members of our current and future senior management, including Messrs. Woodward and Pender. In this proxy statement, we refer to Messrs. Troxel, Woodward and Pender, and any other members of our senior management who own equity interests in Serena following completion of the merger, as management participants. See Special Factors Interests of the Company s Directors and Executive Officers in the Merger beginning on page 53.

Payment for Common Stock. If the merger is completed, each share of Serena common stock issued and outstanding at the effective time of the merger will be converted into the right to receive $24.00 in cash, without interest, other than shares held by us as treasury stock or owned by Spyglass Merger Corp. or any wholly owned subsidiary of Spyglass Merger Corp., which will be cancelled, shares held by any of our wholly owned subsidiaries that are not employee benefit trusts, which will remain outstanding, and shares held by stockholders who are entitled to and who properly exercise and perfect appraisal rights in compliance with all of the required procedures under Delaware law. As of the date of this proxy statement, none of our wholly owned subsidiaries that are not employee benefit trusts owned any shares of our common stock. The employee benefit trusts, which were acquired in connection with the acquisition of Merant plc, hold shares of common stock issuable upon exercise of certain employee stock options. See The Merger Agreement Treatment of Stock and Options beginning on page 74.

Treatment of Options. Immediately prior to the effective time of the merger, all outstanding options to acquire Serena common stock will become fully vested and immediately exercisable unless otherwise agreed between the holder of any of those options and Spyglass Merger Corp. In connection with the merger, option holders will generally be provided the opportunity to receive cash, without interest, in an amount equal to the product of (1) the total number of shares of Serena common stock subject to the option multiplied by (2) the excess, if any, of $24.00 over the exercise price per share of Serena common stock under such option, less any applicable withholding taxes. The management participants will not receive any cash payment with respect to options that they elect to retain, as described above. See The Merger Agreement Treatment of Stock and Options beginning on page 74.

Purposes of the Merger. The purpose of the merger for Serena is to enable its stockholders to immediately realize the value of their investment in Serena through their receipt of the per share merger price of $24.00 in cash, without interest. The purpose of the merger for Messrs. Troxel, Woodward and Pender is to allow them to seek to grow Serena s business with the support and assistance of Silver Lake Partners and without the added costs and short-term distractions inherent in being a company with publicly-traded equity securities. For Spyglass Merger Corp. and Silver Lake Partners II, L.P., the purpose of the merger is to allow Silver Lake Partners II, L.P. and the other stockholders of Spyglass Merger Corp. to own Serena and to bear the rewards and risks of such ownership after Serena s common stock ceases to be publicly traded. See Special Factors Purposes and Structure of the Merger beginning on page 41.

Effect of the Merger on Serena. If the merger is completed, Serena will continue its operations as a privately-held company owned by (1) affiliates of Silver Lake Partners and (2) the management participants. After the merger, Serena s shares will no longer be quoted on The NASDAQ National Market. In addition, Serena expects the registration of Serena common stock under the Securities Exchange Act of 1934 will be terminated. As a result, Serena will no longer be required to file periodic or other reports with the Securities and Exchange Commission with respect to its common stock or to deliver proxy statements or information statements in connection with stockholders meetings. In addition, this termination will result in Serena no longer being subject to the provisions of the Sarbanes- Oxley Act of 2002 or the liability provisions of the Securities Exchange Act of 1934 immediately

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following the merger and officers of Serena will no longer be required to publicly certify the accuracy and completeness of the financial statements and other information relating to Serena. See Special Factors Certain Effects of the Merger beginning on page 42.

Special Committee. Our board of directors formed a special committee, consisting entirely of directors who are not officers or employees of Serena and who will not have an economic interest in Serena following the merger. The special committee was charged with representing the interests of our unaffiliated stockholders and was actively involved in extended and numerous deliberations and negotiations regarding the merger on behalf of the unaffiliated stockholders. In this capacity, the special committee retained and received advice from Morgan Stanley and Co. Incorporated, as financial advisor, and Wilson Sonsini Goodrich & Rosati, Professional Corporation, as legal advisor. The members of the special committee acted solely on behalf of the unaffiliated stockholders and did not retain an unaffiliated representative to act solely on behalf of the unaffiliated stockholders for purposes of negotiating the terms of the going-private transaction or to prepare a report concerning the fairness of the transaction. See Special Factors Background of Merger beginning on page 16 and Special Factors Reasons for the Special Committee s Recommendation beginning on page 28.

Special Committee Recommendation. The special committee unanimously recommends that Serena s stockholders vote FOR the adoption of the merger agreement. See Special Factors Recommendations of the Special Committee and the Board of Directors beginning on page 27.

Board of Directors Recommendation. Our board of directors recommends that Serena s stockholders vote FOR the adoption of the merger agreement. See Special Factors Recommendation of the Special Committee and the Board of Directors beginning on page 27.

Opinion of Financial Advisor. The special committee received an opinion on November 10, 2005, from Morgan Stanley & Co. Incorporated, the financial advisor to the special committee, or Morgan Stanley, to the effect that, as of that date and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the $24.00 per share consideration to be received by holders of shares of Serena common stock pursuant to the merger agreement was fair from a financial point of view to the holders of Serena common stock other than Douglas D. Troxel, who is exchanging a portion of the Serena common stock he beneficially owns for common stock of Spyglass Merger Corp. immediately prior to the merger, which shares will convert into shares of the surviving corporation as a result of the merger. Serena has agreed to pay Morgan Stanley a fee for its services of approximately $8.7 million, approximately $6.5 million of which is contingent upon the consummation of the merger. See Special Factors Opinion of Morgan Stanley & Co. Incorporated beginning on page 32. A copy of Morgan Stanley s opinion is attached as Annex B to this proxy statement.

Interests of Our Directors and Officers. Some of our directors and officers, including the management participants, have interests in the merger that are different from, or in addition to, the interests that apply to our stockholders generally. See Special Factors Interests of the Company s Directors and Executive Officers in the Merger beginning on page 53.

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

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

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

either:

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

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

cash and cash equivalents held by Serena and its subsidiaries.

The Douglas D. Troxel Living Trust, which is an affiliate of Douglas D. Troxel, has agreed to contribute an aggregate of 7,518,483 shares of Serena common stock to Spyglass Merger Corp. prior to the merger. In this proxy statement, we refer to the Douglas D. Troxel Living Trust as the Troxel Trust. These shares of Serena common stock contributed to Spyglass Merger Corp. prior to the merger will be cancelled and cease to exist at the effective time of the merger without any payment being made or consideration delivered in respect of those shares. The shares of Spyglass Merger Corp. will convert into shares of the surviving corporation as a result of the merger. In addition, Messrs. Woodward and Pender have agreed to retain at least a portion of their existing Serena common stock and options to acquire Serena common stock and, prior to the completion of the merger, the other management participants are expected to be provided the opportunity to acquire or retain an equity investment in Serena after completion of the merger. The amount of cash equity investment by the Silver Lake investors as described above will be reduced by the aggregate value of any equity interests that the management participants other than the Troxel Trust agree to acquire or retain. See Special Factors Financing of the Merger beginning on page 46.

Sponsor Guarantee. Silver Lake Partners II, L.P. agreed to pay us any amounts, up to a maximum of $52,350,000, that are determined by a final court order to be due to us from Spyglass Merger Corp. by reason of its willful breach of the merger agreement. See Other Agreements Sponsor Guarantee beginning on page 90. A copy of the sponsor guarantee is attached as Annex C to this proxy statement.

Other Offers. The merger agreement restricts Serena s ability to, among other things, solicit or engage in discussions or negotiations with a third party regarding specified transactions involving Serena. However, under specified circumstances, the board of directors of Serena may terminate the merger agreement if Serena desires to accept an unsolicited superior proposal, as defined in the merger agreement, subject to the prior or concurrent payment of a $35 million termination fee to Spyglass Merger Corp. or its designee. See The Merger Agreement No Solicitation of Transactions beginning on page 81 and The Merger Agreement Termination beginning on page 87.

Tax Consequences. Generally, the consideration received in the merger will be taxable for U.S. federal income tax purposes. You will recognize taxable gain or loss in the amount of the difference between $24.00 and your adjusted tax basis for each share of Serena common stock that you own. However, special tax consequences may apply to management participants who agree to acquire or retain an equity investment in Serena after completion of the merger. See Special Factors Material U.S. Federal Income Tax Consequences beginning on page 58.

Conditions. The completion of the merger pursuant to the merger agreement is subject to (1) adoption of the merger agreement by the holders of a majority of the outstanding shares of our common stock, (2) the receipt of debt financing by Spyglass Merger Corp., and (3) specified other conditions. See The Merger Agreement Conditions to the Merger beginning on page 85.

The Special Meeting and Related Matters

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

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Record Date and Voting. You are entitled to vote at the special meeting if you owned shares of Serena common stock at the close of business on , 2006, the record date for the special meeting. Each outstanding share of our common stock on the record date entitles the holder to one vote on each matter submitted to stockholders for approval at the special meeting. As of the close of business on the record date, there were shares of common stock of Serena entitled to be voted at the special meeting. See The Special Meeting Record Date, Quorum and Voting Power beginning on page 71.

Stockholder Vote Required to Adopt the Merger Agreement. For Serena to complete the merger, stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote FOR the adoption of the merger agreement. See The Special Meeting Required Vote beginning on page 71.

Share Ownership of Directors and Executive Officers. As of the close of business on the record date for the special meeting, the directors and executive officers of Serena held and are entitled to vote, in the aggregate, shares of our common stock, representing approximately % of the outstanding shares of our common stock, including shares beneficially owned by Douglas D. Troxel and the Troxel Trust. Pursuant to the terms of the contribution and voting agreement described elsewhere in this proxy statement, Douglas D. Troxel and the Troxel Trust each have agreed to vote or consent, or cause to be voted or consented, all shares of our common stock that he or it beneficially owns or controls in favor of adopting the merger agreement. As of the record date for the special meeting, Mr. Troxel and the Troxel Trust collectively may be deemed to beneficially own shares of our common stock, representing approximately % of the outstanding shares of our common stock. In addition to the shares Mr. Troxel and the Troxel Trust have agreed to vote in favor of adoption of the merger agreement pursuant to the contribution and voting agreement, the affirmative vote of holders of our common stock representing at least shares of our common stock, or % of the outstanding shares of our common stock, will be required to adopt the merger agreement. The other directors and executive officers, including the other management participants, have informed Serena that they intend to vote all of their shares of our common stock FOR the adoption of the merger agreement. The approval of at least a majority of the Company s unaffiliated stockholders is not required to adopt the merger agreement. See The Special Meeting Voting by Directors and Executive Officers beginning on page 72. A copy of the contribution and voting agreement is attached as Annex D to this proxy statement.

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

- send a written demand to Serena for appraisal in compliance with the Delaware General Corporation Law before the vote on the adoption of the merger agreement;
- not vote in favor of the adoption of the merger agreement; and
- continuously hold your Serena common stock from the date you make the demand for appraisal through the effective date of the merger.

Merely voting against the adoption of the merger agreement will not protect your rights to an appraisal, which requires you to take all the steps provided under the Delaware law. Delaware law requirements for exercising appraisal rights are described in further detail in this proxy statement. See Appraisal Rights beginning on page 108. In addition, Section 262 of the General Corporation Law of the State of Delaware, which is the section of Delaware law regarding appraisal rights, is reproduced and attached as Annex F to this proxy statement.

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

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Litigation Related to the Merger. As of the date of this proxy statement, three complaints have been filed naming Serena and the members of our board of directors as defendants. Among other things, the complaints allege that our directors, in approving the proposed merger, breached fiduciary duties owed to our stockholders because the directors failed to take steps to maximize the value to our public stockholders. The complaints seek class certification and forms of equitable relief, including enjoining the consummation of the merger, and some of the complaints seek damages as well. We believe that the allegations are without merit and intend to vigorously contest the actions. There can be no assurance, however, that we will be successful in our defense of these actions. See Special Factors Litigation Related to the Merger beginning on page 61.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

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

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

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

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

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

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

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

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

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

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

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

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

A: All outstanding stock options will become fully vested and immediately exercisable prior to the merger unless otherwise agreed between the holder of any of those options and Spyglass Merger Corp. All options (other than options that may be retained by the management participants, who are expected to be offered the opportunity to retain amended options as described below) will automatically be cancelled immediately prior to the effective time of the merger (to the extent permissible under Serena stock plans) and will be converted into a right to receive an amount in cash (without interest), less applicable withholding taxes, equal to the product of (1) the number of shares of our common stock subject to each option, as of the effective time of the merger,

multiplied by (2) the excess of $24.00 over the exercise price per share of Serena common stock subject to such option, which we refer to as the option consideration. If the applicable Serena stock plan does not permit Serena to cancel outstanding options without the consent of the individual who has received the option, Serena expects to make an offer to such option holders to cancel all of their options in exchange for the option consideration upon the cancellation of his or her outstanding options. In no event will the holder of one or more Serena stock options that are cancelled pursuant to the foregoing receive less than an aggregate of $500 in consideration for the cancellation of all of his or her options. In the event that any of such options are not cancelled prior to the merger or, in the case of the management participants, amended prior to the merger, then such outstanding options will be subject to adjustment upon completion of the merger pursuant to the terms set forth in the applicable Serena stock

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plans. The management participants will not receive any cash payment with respect to the amended options that they elect to retain, as described below.

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

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

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

A: Because certain members of our board of directors and management will have interests in Serena following the merger, our board of directors formed a special committee to represent the interests of our unaffiliated stockholders. The special committee consists entirely of directors who are not officers or employees of Serena and who will not have an economic interest in Serena following the merger. No limitations were placed on the authority of the special committee to act on behalf of our unaffiliated stockholders, and no compensation arrangements were entered into with the members of the special committee in connection with their service on the committee.

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

A: Yes, some of our directors and officers, including the management participants, have interests in the merger that are different from, or in addition to, the interests that apply to our stockholders generally, including the following:

Douglas D. Troxel, the Chairman of our board of directors and Chief Technology Officer, will remain on our board of directors after the merger and initially be entitled to designate a second member to our board, and Mark E. Woodward, our Chief Executive Officer and President and one of our directors, will also remain on our board after the merger;

Mr. Troxel, the Troxel Trust, Serena and the Silver Lake investors will enter into a stockholders agreement in connection with the completion of the merger, which will provide the Troxel Trust with certain rights and restrictions, including rights to participate in future sales of shares by the Silver Lake investors and future issuances of shares by Serena and to require Serena to register its shares;

Mr. Woodward and Robert I. Pender, Jr., our Chief Financial Officer and Senior Vice President, Finance and Administration and one of our directors, have entered into management agreements, pursuant to which Messrs. Woodward and Pender agreed to enter into definitive employment agreements with the surviving corporation to be effective after the closing of the merger;

certain of our other executives officers will continue to be our executive officers after the merger, although we do not anticipate that they will enter into new employment agreements with us or that their salaries or cash incentive compensation will change in connection with the merger;

certain of our executive officers and other members of our senior management are expected to be provided the opportunity to retain all or a portion of their current Serena equity interests or to acquire equity interests in Serena after completion of the merger and additional grants of options to the management participants are expected to occur after completion of the merger. As a result, the management participants are expected to own up to 41.0% of the equity interests of Serena on a fully diluted basis after completion of

the merger;

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all unvested stock options held by our directors and executive officers and 60% of the restricted stock held by Messrs. Woodward and Pender will vest in connection with the merger and each of our directors and executive officers will be entitled to receive the same consideration for their shares of common stock and options to acquire common stock as our unaffiliated stockholders and optionholders (other than any equity interests retained by the management participants in the merger); and

we are required after completion of the merger to maintain certain indemnification and insurance policies applicable to our directors and executive officers.

See Special Factors Interests of the Company s Directors and Executive Officers beginning on page 53.

Q: Who are the management participants ?

A: Douglas D. Troxel, the Chairman of our board of directors and Chief Technology Officer, has agreed to cause the Troxel Trust to contribute a portion of the shares of Serena common stock held by it to Spyglass Merger Corp. prior to the completion of the merger in exchange for shares of Spyglass Merger Corp. The shares contributed by the Troxel Trust will be valued at $20.50 per share for such purposes. In addition, each of Messrs. Woodward and Pender has agreed to contribute a portion of the shares of Serena common stock beneficially owned by him to Spyglass Merger Corp. prior to the completion of the merger in exchange for shares of Spyglass Merger Corp. The shares contributed by Messrs. Woodward and Pender will be valued at $24.00 per share for such purposes and be comprised of a portion of the restricted shares granted to them in June 2005. The number of shares of Spyglass Merger Corp. common stock that will be issued in exchange for the shares of Serena common stock contributed to Spyglass Merger Corp. by Messrs. Woodward and Pender and the Troxel Trust will be equal to the aggregate value of the shares of Serena common stock they contribute to Spyglass Merger Corp. divided by $5.00, which is the price per share being paid by the Silver Lake investors for shares of common stock of Spyglass Merger Corp. in connection with the financing of the merger. Each of Messrs. Woodward and Pender has also agreed to retain a portion of his existing options to acquire Serena common stock, which options will be amended and then remain outstanding after the merger. Prior to completion of the merger, certain other members of our senior management also are expected to be provided with the opportunity to make or retain an equity investment in Serena after completion of the merger, which investment is expected to consist of the following, as determined by such members: (1) the acquisition of shares of Serena common stock upon completion of the merger for cash or the assignment to Spyglass Merger Corp. of the cash proceeds to be received in the merger by such members for shares of Serena common stock they currently hold, and/or (2) the retention of some or all of their existing options to acquire Serena common stock, which options would be amended and remain outstanding after the merger. Upon completion of the merger, Serena is expected to adopt a management equity incentive plan pursuant to which options to acquire up to an additional 12% of the outstanding Serena common stock after the merger may be issued to members of our current and future senior management, including Messrs. Woodward and Pender. We refer to Messrs. Troxel, Woodward and Pender, and any other members of our senior management who own equity interests in Serena following completion of the merger, as the management participants.

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

A: The management participants who have agreed or agree to contribute a portion of their current shares of Serena common stock to Spyglass Merger Corp. prior to the merger will receive shares of common stock of Spyglass Merger Corp. as described above. At the effective time of the merger, these shares of Spyglass Merger Corp. will convert into shares of common stock in Serena, which is the surviving corporation in the merger, and the shares of Serena common stock contributed to Spyglass Merger Corp. will be cancelled without receipt of any payment. With respect to each of the options to acquire Serena common stock that the management participants have agreed or agree prior to completion of the merger to retain, such stock options will be amended and remain outstanding after completion of the merger. As a result of such amendments, the exercise price and the number of shares of Serena common stock that may be acquired with such retained options of the management participants will be adjusted such that the aggregate spread

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value of such options after completion of the merger is the same as their aggregate spread value prior to the merger. For these purposes, the spread value of an option to acquire one share of our common stock prior to the merger is the amount, if any, by which $24.00 exceeds the exercise price of the option and after completion of the merger is the difference between $5.00, which is the price being paid by the Silver Lake investors for shares of common stock of Spyglass Merger Corp. in connection with the financing of the merger, and $1.25, which will be the new exercise price of such option.

The Serena shares and stock options currently held by the management participants that are not contributed to Spyglass Merger Corp. prior to the merger or that are not amended prior to the merger will be treated the same in the merger as the shares and stock options held by our unaffiliated stockholders and optionholders. Management participants are expected to be provided with the opportunity to assign to Spyglass the cash merger proceeds to be received by them for any shares of Serena common stock they may own in consideration for the issuance to them of shares of common stock of the surviving corporation in the merger.

Q: What is Spyglass Merger Corp.?

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

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

A: Spyglass Merger Corp. will pay the merger consideration from the proceeds of equity investments and debt financing arrangements to be entered into in connection with the merger. In addition, it is anticipated that cash and cash equivalents held by Serena and its subsidiaries will be used to fund payment of a portion of the merger consideration. For more information about the financing of the merger, see Special Factors Financing of the Merger beginning on page 46.

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

A: We are working to complete the merger as quickly as possible, and we anticipate that it will be completed in the first quarter of calendar year 2006. In order to complete the merger, we must obtain stockholder approval and the other closing conditions under the merger agreement must be satisfied or waived. See The Merger Agreement Conditions to the Merger beginning on page 85 and The Merger Agreement Effective Time beginning on page 74.

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

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

- adoption of the merger agreement by the holders of a majority of the outstanding shares of our common stock;
- the expiration or termination of the waiting periods under applicable antitrust laws, and the receipt of any required approvals from anti-trust authorities;
- receipt of all material consents, approvals and authorizations legally required to be obtained from governmental authorities to consummate the merger;

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

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

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

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

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

the delivery of specified certifications; and

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

If all of these conditions are not either satisfied or waived, the merger will not be completed even if our stockholders vote to adopt the merger agreement. See The Merger Agreement Conditions to the Merger beginning on page 85.

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

A: Generally, the consideration received in the merger will be taxable for U.S. federal income tax purposes. You will recognize taxable gain or loss in the amount of the difference between $24.00 and your adjusted tax basis for each share of Serena common stock that you own. However, special tax consequences may apply to management participants who agree to acquire or retain an equity investment in Serena after completion of the merger. For further information about the U.S. federal income tax consequences of the merger, see Special Factors Material U.S. Federal Income Tax Consequences beginning on page 58.

Q: When and where is the special meeting?

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

Q: Who can vote on the merger agreement?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q: Can I change my vote?

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

Q: What happens if I do not respond?

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

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Q: What is a quorum?

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

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

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

Q: How are votes counted?

A: For the proposal relating to the adoption of the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not count as votes cast on the proposal relating to adoption of the merger agreement, but will count for the purpose of determining whether a quorum is present. If you ABSTAIN, it has the same effect as if you vote AGAINST the adoption of the merger agreement.

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

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

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

Q: Who will bear the cost of this solicitation?

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

Q: Should I send in my stock certificates now?

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

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

A: If you wish, you may seek an appraisal of the fair value of your shares, but only if you comply with all requirements of Delaware law as described in the section of the proxy statement entitled Appraisal Rights beginning on page 108 and in Annex F of this proxy statement. Depending upon the determination of the Delaware Court of Chancery, the appraised fair value of your shares of Serena common stock, which will be paid to you if you seek an appraisal and comply with all requirements of Delaware law, may be more than, less than or equal to the per share consideration to be paid in the merger.

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

Q: Who can help answer my other questions?

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

D.F. King & Co., Inc.

48 Wall Street

New York, NY 10005

(212) 269-5550 (collect)

(800) 549-6746 (toll-free)

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

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

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

- the satisfaction of the conditions to consummate the merger, including the receipt of the required stockholder and regulatory approvals;
- the actual terms of the financing arrangements obtained in connection with the merger;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement;
- the outcome of the legal proceedings that have been instituted against us and others following announcement of the merger agreement;
- the failure of the merger to close for any other reason;
- the amount of the costs, fees, expenses and charges related to the merger; and
- our substantial indebtedness following the consummation of the merger.

All forward-looking statements contained or incorporated by reference in the proxy statement speak only as of the date of this proxy statement or as of such earlier date that those statements were made and are based on current expectations or expectations as of such earlier date and involve a number of assumptions, risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements. We undertake no obligation to release any revisions to such forward-looking statements to reflect events or circumstances after the date of this proxy statement or to reflect the occurrence of unanticipated events. Notwithstanding the foregoing, in the event of any material change in any of the information previously disclosed, we will (1) update such information through a supplement to this proxy statement and (2) amend the Transaction Statement on Schedule 13E-3 filed in connection with the merger, in each case, to the extent required by applicable law.

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SPECIAL FACTORS

Background of the Merger

The board of directors and management of Serena regularly evaluate Serena s business and operations as well as the company s strategic direction and prospects. Over the course of the last several years, management has from time to time discussed potential transactions with strategic parties, including possible business combinations with other companies. Management s practice has been to bring these discussions to the attention of the board when management deems that the discussions have progressed to a point that board input and consideration is appropriate. Other than Serena s acquisition of Merant plc in 2004, none of these discussions with respect to any transaction material to Serena progressed beyond the preliminary stage or resulted in any specific proposals.

On May 20, 2005, Mark Woodward, the President and Chief Executive Officer and a director of Serena, and Robert Pender, the Chief Financial Officer and Senior Vice President, Finance and Administration and a director of Serena, met with a representative of Merrill Lynch & Co., or Merrill Lynch, to discuss potential strategic alternatives for Serena. Messrs. Woodward and Pender previously had been contacted by the Merrill Lynch representative to discuss a wide variety of strategic alternatives for Serena, including acquisitions of other companies, the sale of Serena to another public company, and a going private transaction with a private equity firm. As part of this meeting, the Merrill Lynch representative discussed going-private as a strategic alternative for Serena, and offered to coordinate meetings between management and private equity firms to explore these and other alternatives. At the request of Messrs. Woodward and Pender, following the meeting Merrill Lynch contacted five private equity firms in an effort to arrange these meetings.

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

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

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

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

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

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

On June 29, 2005, Mark Woodward and Robert Pender met with representatives of a fourth private equity firm. The fifth private equity firm that Merrill Lynch contacted decided not to meet with Serena s management.

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In connection with the meetings with the four other private equity firms, Serena entered into non-disclosure agreements with those firms that requested receipt of confidential information.

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

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

The board of directors of Serena met on July 5, 2005. At the meeting, members of senior management updated the board on Serena s business and financial condition, financial and operating results and recent stock price performance, which was lower than management expected in light of Serena s acquisition of Merant and the expansion of Serena s business. Management discussed with the board the merits of evaluating various alternatives for Serena to seek to increase stockholder value. The alternatives discussed at the board meeting were maintaining the status quo as a standalone public company; seeking to fundamentally change the business model of Serena by introducing new licensing models, investing more heavily in alternate distribution channels and growing its professional services business; entering into a transaction with a strategic party; or entering into a transaction with a private equity firm to invest in Serena or take it private.

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

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

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

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

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

On August 17, 2005, at a meeting of Serena s audit committee, Mark Woodward and Robert Pender informed the members of the audit committee that Serena s management was evaluating going private as a strategic alternative for Serena, and requested that Silver Lake Partners be permitted to make a presentation to the

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independent directors regarding going private transactions. The members of the audit committee agreed, subject to an opportunity for a board discussion on the matter prior to the presentation by Silver Lake Partners.

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

The board of directors met on August 25, 2005. At the meeting, Mark Woodward and Robert Pender made a general presentation to the board of directors regarding strategic alternatives for Serena with a focus on going private. Following management s presentation, David Roux joined the meeting and made a presentation to the board of directors with respect to Silver Lake Partners preliminary analysis of Serena based on Silver Lake Partners initial due diligence, which included a preliminary valuation of Serena of $22.00 per share. The Silver Lake Partners presentation indicated that a going-private transaction potentially would include investments by current management of Serena in the privately-held company that would result from the transaction. Following the presentation by Silver Lake Partners, Messrs. Woodward and Pender reviewed for the board of directors Silver Lake Partners discussions to date with senior management and Douglas Troxel. The independent members of the board, Carl Bass, J. Hallam Hal Dawson, David DeWalt and Gregory J. Owens, then met in executive session. During the executive session, in light of the potential interests of Messrs. Troxel, Woodward and Pender in any transaction with Silver Lake Partners, the independent directors decided that the board should form a special committee composed of all of the independent directors to represent the interests of the unaffiliated stockholders of Serena, and that the special committee should retain its own legal and financial advisors. The independent directors discussed the retention of outside counsel to advise the special committee and determined that their preference would be Wilson Sonsini Goodrich & Rosati, Professional Corporation, or WSGR. The full board then reconvened, at which time the board adopted the recommendations of the independent directors and formed a special committee consisting of Messrs. Bass, Dawson, DeWalt and Owens, to be co-chaired by Messrs. Dawson and Owens, to determine whether Serena should pursue a transaction with Silver Lake Partners or any other party, to evaluate alternatives for Serena and to negotiate on behalf of Serena the terms of any such transaction. The special committee expressed its desire to retain WSGR as its legal advisor. Management recommended a list of investment banks for the special committee to consider retaining as its financial advisor.

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

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

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

On September 2, 2005, the members of the special committee also met with representatives of WSGR to discuss the potential transaction, including the selection of a financial advisor. At that meeting, the representatives of WSGR discussed with the members of the special committee prior and current business relationships between Morgan Stanley and Silver Lake Partners known by the WSGR representatives. Morgan Stanley subsequently confirmed to WSGR that WSGR s disclosure to the special committee about Morgan Stanley s relationships with Silver Lake Partners was accurate and complete.

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On September 8, 2005, the board of directors, including the members of the special committee, met at the offices of WSGR. Vita Strimaitis, the senior vice president, general counsel and corporate secretary of Serena, was present, along with representatives of WSGR. The representatives of WSGR disclosed to the board certain prior and current business relationships involving WSGR and its partners and Silver Lake Partners. Investment partnerships composed of certain current and former members of and persons associated with WSGR have made capital commitments to funds affiliated with Silver Lake Partners, including Silver Lake Partners II, L.P. The capital commitments made by these investment partnerships to Silver Lake Partners II, L.P. constitute approximately 0.03% of the total capital commitments of Silver Lake Partners II, L.P. In addition, WSGR has represented Silver Lake Partners and its affiliates in certain matters unrelated to the merger, although during the two year period ended December 31, 2005, WSGR billed Silver Lake Partners and its affiliates aggregate amounts for these representations constituting less than 0.05% of WSGR s total revenue in each of those two years. Additionally, a member of WSGR serves on the advisory committee of an investment fund affiliated with Silver Lake Partners that will not be an investor in the surviving corporation in the merger. The board questioned the representatives of WSGR on these matters, after which time the special committee decided to retain WSGR as its legal advisor. WSGR then reviewed the fiduciary obligations of the board and the special committee in general and in the specific context of the exploration of a transaction with Silver Lake Partners or another third party. Management reported on the prior history of discussions with Silver Lake Partners and other private equity firms and potential strategic acquirors. Following this discussion, Messrs. Troxel, Woodward and Pender left the meeting, at which time the special committee met. The special committee discussed with the WSGR representatives its prior meetings with representatives of investment banking firms and its process for selecting a financial advisor. After discussion, the members of the special committee determined to retain Morgan Stanley to advise the special committee.

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

Between September 9, 2005 and September 16, 2005, representatives of Morgan Stanley contacted each of the four private equity firms other than Silver Lake Partners with which Serena s management or Merrill Lynch had had previous discussions. During the course of these discussions, the representatives of Morgan Stanley offered to provide each of these parties with updated financial information and to arrange additional face-to-face meetings between each of these parties and members of Serena s management in order to allow each of these parties to conduct further due diligence on Serena. During those discussions, none of these other four private equity firms indicated an interest in pursuing a transaction with Serena on terms as favorable as the $22.00 per share preliminary valuation proposed on August 25, 2005 by Silver Lake Partners, if at all.

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

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

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

On September 16, 2005, the special committee held a meeting at the offices of Morgan Stanley. Present at the meeting were representatives of Morgan Stanley and WSGR and, for a portion of the meeting, Messrs. Woodward and Pender. The representatives of WSGR began the meeting with a discussion of the fiduciary duties owed by the special committee to Serena and its stockholders, both in general and in view of the preliminary proposal received by Silver Lake Partners. Messrs. Woodward and Pender then joined the meeting, at which time the representatives of Morgan Stanley made a presentation to the special committee that included certain preliminary financial analyses of Serena and certain preliminary analyses of comparable companies and comparable transactions. The participants then discussed the relative merits of exploring discussions with other private equity firms and potential strategic parties. The representatives of Morgan Stanley reviewed the four private equity firms, in addition to Silver Lake Partners, with which Serena s management or Merrill Lynch had already had preliminary discussions and the status of those discussions. The representatives of Morgan Stanley then discussed other private equity firms and other potential financial and strategic parties that Serena could approach, and the meeting participants discussed the rationale that each potential party might have for exploring a transaction with Serena. Messrs. Woodward and Pender then left the meeting. The special committee then directed the representatives of Morgan Stanley to contact certain additional private equity firms and other potential financial and strategic parties about the possibility of entering into a transaction with Serena.

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

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

On September 18, 2005 and September 19, 2005, Mr. Dawson spoke with the other members of the special committee regarding soliciting a more favorable proposal from Silver Lake Partners. On September 19, 2005,

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Mr. Dawson instructed a representative of Morgan Stanley to propose to Silver Lake Partners that it acquire Serena at a purchase price of $26.00 per share in an effort to negotiate a higher price for Serena s stockholders. On September 20, 2005, representatives of Morgan Stanley presented this proposal to David Roux of Silver Lake Partners, who did not accept the proposal. The Morgan Stanley representatives reported the outcome of this discussion to Messrs. Dawson and Owens of the special committee, at which time Messrs. Dawson and Owens instructed Morgan Stanley to continue to explore the interest of other potential financial and strategic parties in engaging in a transaction with Serena.

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

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

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

On September 27, 2005, Mark Woodward and Robert Pender met with a representative of a sixth private equity firm. Representatives of Morgan Stanley arranged and were present at the meeting. The purpose of the meeting was to allow the private equity firm to conduct preliminary financial and business due diligence on Serena, including a discussion of product strategies and future direction of Serena, and to discuss various strategic alternatives for Serena, including the private equity firm potentially acquiring Serena in a going-private transaction.

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

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

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

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

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

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

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

The special committee met again on October 5, 2005 at the offices of Morgan Stanley. Representatives of Morgan Stanley and WSGR attended the meeting. Also present for portions of the meeting were Messrs. Troxel, Woodward and Pender and Vita Strimaitis. The meeting began with the members of the special committee meeting in executive session with representatives of Morgan Stanley and WSGR. The representatives of Morgan Stanley discussed its discussions to date with Silver Lake Partners, including a proposed $23.00 per share offer. The representatives of Morgan Stanley then discussed Silver Lake Partners proposed price for Serena in the context of the historical range of prices for the common stock of Serena and the projections of analysts who covered Serena s common stock. The special committee then discussed with the representatives of Morgan Stanley the spectrum of potential parties who might be interested in a transaction with Serena, including private equity firms and strategic parties as well as certain standalone alternatives and the relative merits of each. Serena s capital structure was discussed in detail and the likely effects of adjustments to Serena s financial leverage were considered. The representatives of Morgan Stanley reviewed the list of private equity firms and strategic parties contacted by Morgan Stanley to date to gauge the extent of interest in the marketplace for a transaction with Serena and updated the special committee as to the status of those discussions. The representatives of Morgan Stanley made a presentation to the special committee that included preliminary financial analyses of Serena and preliminary analyses of comparable companies and comparable transactions. The special committee next considered and discussed with its advisors various possible responses to the proposal from Silver Lake Partners, and decided to reject the Silver Lake Partners proposal. Then, Messrs. Troxel, Woodward and Pender joined the meeting and discussed the recent financial and stock performance of Serena and the outlook for the third quarter. The meeting participants then discussed the relative merits of, and potential for, taking Serena private, combining with a strategic party, or maintaining the current status and restructuring Serena s capital structure with additional debt financing. After concluding the meeting, the special committee reconvened later in the day at the offices of Silver Lake Partners. At the reconvened meeting, the special committee informed Mr. Roux and Ms. Moore of Silver Lake Partners that the special committee was unwilling to accept the $23.00 per share offer. Mr. Roux and Ms. Moore then made a presentation detailing Silver Lake Partners proposal to acquire Serena. After the presentation from Silver Lake Partners, the special committee reconvened at the offices of Morgan Stanley and again discussed with its advisors and Serena management the relative merits and risks of selling Serena to a private equity firm versus seeking to combine with a strategic acquiror versus various standalone alternatives. Finally, the special committee again met in executive session with its legal and financial advisors, at which time the special committee directed a representative of WSGR to indicate to Silver Lake Partners that the special committee would be willing to consider an offer to acquire Serena at a price in excess of $24.00 per share.

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

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

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

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

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

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

On October 10, 2005, representatives from Morgan Stanley suggested to Messrs. Dawson, Woodward and Pender the concept of structuring a transaction with Silver Lake Partners in which all of Serena s stockholders other than Douglas Troxel could receive a higher price per share if Mr. Troxel would agree to contribute to Spyglass Merger Corp. a significant portion of his Serena shares at a lower value per share. Due to the relative size of Mr. Troxel s holdings of Serena common stock as compared to the holdings of the other members of Serena s management, a similar discount in the value of the per share amount for any shares of Serena common stock that the other members of Serena s management might contribute to the surviving corporation in the merger transaction was not discussed.

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

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

On October 12, 2005, a representative of Morgan Stanley contacted a representative of Silver Lake Partners and reiterated that $24.00 per share was the minimum price that the special committee would consider in connection with the potential transaction and the representative of Silver Lake Partners indicated that Silver Lake Partners was unable to agree to a price of greater than $23.50 per share. Later in the day, after a series of communications among the parties, Silver Lake Partners determined that it would be prepared to proceed at $24.00 per share if Douglas Troxel would be willing to accept a lower price with respect to shares that he would contribute to Spyglass Merger Corp. as part of the transaction. At the request of Silver Lake Partners, Mark Woodward and Robert Pender asked Mr. Troxel if he would consider contributing

approximately two-thirds of

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his shares of Serena common stock to Spyglass Merger Corp. at a value of $20.50 per Serena share. After the conversation with Messrs. Woodward and Pender, Mr. Troxel indicated that he would be prepared to consider Silver Lake Partners proposal if the other terms and conditions of the transaction were acceptable to Mr. Troxel. Silver Lake Partners then conveyed to the special committee a revised proposal of $24.00 per share and indicated that its revised proposal was conditioned on Mr. Troxel agreeing to contribute approximately two-thirds of his shares of Serena common stock to Spyglass Merger Corp. at a value of $20.50 per share. Silver Lake Partners also indicated that, while the possibility of Mr. Troxel contributing his shares to Spyglass Merger Corp. at a value lower than $24.00 per share had been discussed with Mr. Troxel, no agreement with Mr. Troxel to do so had been reached.

The special committee met to consider Silver Lake Partners revised proposal on October 13, 2005 at the offices of Morgan Stanley. Representatives of Morgan Stanley and WSGR attended the meeting, as did Messrs. Troxel, Woodward and Pender for a portion of the meeting. The special committee first met with its legal and financial advisors. The representatives of Morgan Stanley provided an update on its discussions with various potential strategic parties, including one party that had expressed an interest in pursuing discussions with Serena. The special committee determined that it would be in the best interests of Serena to continue a dialogue with the potential strategic party and instructed Morgan Stanley to do so on behalf of Serena. The representatives of Morgan Stanley then discussed the latest proposal received from Silver Lake Partners. The representatives of Morgan Stanley also provided an update regarding its discussions with other potential private equity buyers. The representatives of WSGR then advised the special committee on its fiduciary obligations, both generally and in view of the Silver Lake Partners proposal. Messrs. Troxel, Woodward and Pender then joined the meeting, at which time Mr. Pender discussed projections for Serena s operating results for the fiscal third quarter ending October 31, 2005 and for the fiscal fourth quarter ending January 31, 2006. Management also discussed the status of key initiatives and customers. The representatives of Morgan Stanley then discussed general market conditions in the software industry, noting recent pre-announcements of earnings by certain software companies and the generally negative reaction of the markets to the data contained in those pre-announcements. Management also provided an update on the due diligence being conducted by Silver Lake Partners and the financing for the proposed transaction. At the conclusion of the meeting, the special committee indicated to its advisors to pursue the proposed transaction with Silver Lake Partners while continuing to explore other alternatives. After the meeting, Hollie Moore of Silver Lake Partners updated the special committee regarding the status of confirmatory legal and financial diligence. Ms. Moore provided a presentation to the special committee that outlined the proposed transaction structure and valuation of Silver Lake Partners proposal. Ms. Moore also reported that Silver Lake Partners had received draft commitment letters from several banks and was continuing to negotiate to improve a number of financing terms.

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

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

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

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

In September and October 2005, as part of the special committee process, 16 parties were contacted to discuss a potential transaction with Serena, including 11 financial sponsors in addition to Silver Lake Partners and four strategic parties. In each instance, Morgan Stanley had initial discussions with the other parties to gauge

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their interest in a potential transaction. As described more fully above, certain of these discussions led to meetings with management that involved preliminary business and financial due diligence, and Morgan Stanley had numerous follow up discussions with the parties during this time. As a part of the process, the parties were informed that Serena was engaged in discussions with a third party regarding a potential transaction, although neither Serena management nor its representatives informed the other parties that Silver Lake Partners had made a proposal to acquire Serena. Other than Silver Lake Partners, none of the parties contacted as part of this process submitted a proposal to undertake a transaction with Serena or indicated that they intended to submit such a proposal.

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

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

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

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

A meeting of the board of directors of Serena was held on November 4, 2005. Representatives of Morgan Stanley and WSGR were present at the meeting. Mr. Pender discussed the projected third fiscal quarter financial results. The representatives of Morgan Stanley made a presentation regarding Serena s historical stock price and various preliminary valuation considerations, including summary historical and projected financial performance and a preliminary discounted equity value analysis. The recent increase in the Serena stock price was discussed. The meeting participants expressed the belief that there had not been any change in the business or prospects of Serena and that the stock price increase was likely the result of market speculation about a potential transaction.

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

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

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

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

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

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

On November 10, 2005, meetings of the special committee and of the board of directors were held. Special committee members Hal Dawson, Gregory Owens, Carl Bass and, for a portion of the meetings, David DeWalt were present, as were directors Mark Woodward and Robert Pender. Also present were Vita Strimaitis and representatives from Morgan Stanley and WSGR. Mr. Pender reported on certain financial data reflecting the economics for members of management of certain aspects of the proposed transaction with Silver Lake Partners. A representative from WSGR discussed the fiduciary obligations of the board of directors and the special committee in light of the proposed transaction, including discussions of the efforts undertaken by the board of directors and the special committee to explore alternative transactions, the rights negotiated by the special committee to terminate the proposed transaction with Silver Lake Partners to accept an alternative superior transaction under certain circumstances and the efforts of the board of directors and the special committee to be informed and analyze the fairness of the consideration to be received by the unaffiliated stockholders of Serena. The board of directors discussed a number of factors, including: its fiduciary duties; the recent upward movement in Serena s stock and the efforts undertaken by the board of directors and the special committee s advisors to understand this movement in the context of the recently completed fiscal quarter and rumors about a possible transaction; its views as to the long term prospects for Serena, including whether its views could have changed as a result of Serena s recently completed fiscal quarter and recent stock price movement; the merits of the proposed transaction with Silver Lake Partners and the risks and merits of not pursuing the transaction or not entering into the proposed transaction prior to the announcement of Serena s most recent quarterly results. The representatives of Morgan Stanley made a presentation regarding their valuation analyses of two sets of financial projections for Serena, one based on Wall Street research and a second prepared by management, and management offered its views on their level of confidence in achieving the results forecasted in these projections and the impact on the projections of recent results. A representative of WSGR discussed the terms of the proposed merger agreement. The special committee then met in executive session to discuss the merits and risks of the proposed transaction with Silver Lake Partners and the other alternatives available to Serena. The members of the special committee concluded that, subject to receipt of a fairness opinion of Morgan Stanley, the proposed transaction with Silver Lake Partners was fair to and in the best interests of Serena s unaffiliated stockholders, and the special committee recommended the transaction to the board of directors.

The representatives of Morgan Stanley then discussed the valuation materials Morgan Stanley had prepared and distributed in connection with the meetings. The representatives of Morgan Stanley also discussed with the

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board of directors its relationships with Silver Lake Partners, which WSGR had previously disclosed to and discussed with the special committee. The representatives of Morgan Stanley reviewed with the board of directors the work it had completed to assess the fairness of the proposed transaction and the assumptions made in the course of its analyses. Morgan Stanley then rendered its oral opinion to the special committee, subsequently confirmed in writing, that the consideration to be received by the holders of shares of Serena s common stock pursuant to the proposed transaction with Silver Lake Partners is fair from a financial point of view to such holders, other than Douglas Troxel. Serena has agreed to pay Morgan Stanley a fee for its services of approximately $8.7 million, approximately $6.5 million of which is contingent upon the consummation of the merger. The members of the special committee and the members of the board of directors present at the meeting accepted the analysis and conclusion of Morgan Stanley set forth in its fairness opinion, and unanimously approved the terms of the merger agreement and the transactions contemplated by the merger agreement and determined the merger, on the terms and conditions set forth in the merger agreement, advisable and to be fair to and in the best interests of Serena s unaffiliated stockholders.

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

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

Recommendations of the Special Committee and the Board of Directors

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

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

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Reasons for the Special Committee s Recommendation

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

the special committee s belief that we face several challenges in our efforts to increase stockholder value as an independent publicly-traded company, including competition from companies with substantially greater scale, declining valuation multiples in our market sector and the concerns of investors that our association with mainframe computing (a sector that is more mature and has recently experienced lower growth than many other information technology markets) may limit our growth opportunities and that our long-term efforts to address these and other concerns are made more difficult by the short-term focus of the public equity markets on quarterly financial results;

the special committee s knowledge of our business, financial condition, results of operations and prospects including our recent financial performance, which included the failure to meet analysts expectations during the first two quarters of the current fiscal year followed by higher than expected results in the recently completed third fiscal quarter, and the special committee s belief that the merger is more favorable to our unaffiliated stockholders than any other alternative reasonably available to the company and our stockholders, including remaining as a standalone public company;

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

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

financial analyses and pro forma and other information with respect to Serena presented by Morgan Stanley to the special committee as discussed below under Opinion of Morgan Stanley & Co. Incorporated, including Morgan Stanley s opinion that the consideration to be paid pursuant to the merger agreement was fair from a financial point of view to the holders of our common stock, other than Douglas D. Troxel, who is contributing 7,518,483 shares of Serena common stock he beneficially owns to Spyglass Merger Corp. at a valuation of $20.50 per share for purposes of such contribution. All of Serena s other stockholders, including the unaffiliated stockholders, will receive $24.00 per share for their Serena common stock in the merger (other than management participants who agree to contribute shares of Serena common stock to Spyglass Merger Corp. at a valuation of $24.00 per share). Serena has agreed to pay Morgan Stanley a fee for its services of approximately $8.7 million, approximately $6.5 million of which is contingent upon the consummation of the merger;

the commitments for debt financing represented by the commitment letters described below under Special Factors Financing of the Merger, the equity commitment of the Silver Lake investors contained in the contribution and voting agreement and the sponsor guarantee under which up to $52,350,000 is payable to us by Silver Lake Partners II, L.P. upon a final court determination that Spyglass Merger Corp. has willfully breached the merger agreement, each of which the special committee believed reduced the risk that the merger would not be consummated;

the fact that the merger consideration is all cash, so that the transaction allows our unaffiliated stockholders to immediately realize a fair value, in cash, for their investment and provides such stockholders certainty of value for their shares;

the fact that the $24.00 per share price to be paid in the merger represented a 17% premium to the average closing prices of our common stock over the 30 trading day period prior to and including the date of the special committee s approval of the merger and a

21% premium to the average closing prices of our common stock over the 60 and 90 trading day periods prior to and including that date;

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the 18% increase in our stock price in the nine trading days prior to the announcement of the transaction and the belief of the special committee that the increase may have resulted from rumors about a potential transaction;

the fact that, in order to induce the Silver Lake investors to agree to a price of $24.00 for each Serena share exchanged in the merger, Mr. Troxel agreed that the number of shares of common stock of Spyglass Merger Corp. he will receive in exchange for the 7,518,483 Serena shares he will contribute to Spyglass Merger Corp. will be determined by valuing his Serena shares at $20.50 per share, rather than $24.00 per share, which will result in Mr. Troxel receiving substantially less value for each of the 7,518,483 Serena shares he is contributing to Spyglass Merger Corp. than unaffiliated stockholders will receive for each of their Serena shares in the merger;

the fact that, despite efforts conducted by us or on our behalf to determine the interest of other potential financial buyers and strategic partners, no alternative proposal to acquire us had been made. During the special committee process, 16 parties were contacted to explore a potential transaction with Serena, including 11 financial sponsors in addition to Silver Lake Partners and four strategic parties, none of whom submitted a proposal to undertake a transaction with Serena or indicated that they intended to submit such a proposal. Moreover, neither the special committee, the board of directors nor the executive officers of Serena were aware of any firm offers made by any other person during the prior two years for the merger or consolidation of us with or into another person, the sale or transfer of all or substantially all of our assets or the acquisition of a controlling interest of our common stock;

the fact that, subject to compliance with the terms and conditions of the merger agreement, we are permitted to terminate the merger agreement prior to the completion of the merger in order to approve any alternative transaction proposed by a third party that is a superior proposal, as defined in the merger agreement, upon the prior or concurrent payment to Spyglass Merger Corp. or its designee of a $35 million termination fee; and

the availability of appraisal rights to holders of our common stock who comply with all of the required procedures under Delaware law.

In addition, the special committee believed that sufficient procedural safeguards were and are present to ensure the fairness of the merger to the unaffiliated stockholders and to permit the special committee to represent effectively the interests of our unaffiliated stockholders. These procedural safeguards include the following:

the special committee, which consisted entirely of directors who are not officers or employees of Serena and who will not have an economic interest in Serena following the merger, acted to represent solely the interests of the unaffiliated stockholders and to negotiate with the Silver Lake investors on behalf of such stockholders;

no member of the special committee has an interest in the proposed merger different from that of our other stockholders (other than the management participants), other than the fact (a) that members of the special committee hold unvested stock options that by their terms will become vested in connection with the merger, (b) that all stock options held by the members of the special committee will be cashed-out as part of the merger in the same manner as all other stock options held by unaffiliated security holders and (c) that members of the special committee will be entitled to customary indemnification and officer and director liability insurance coverage under the terms of the merger agreement;

the special committee retained and received advice from Morgan Stanley, as financial advisor, and Wilson Sonsini Goodrich & Rosati, as legal advisor, each of which has extensive experience in transactions similar to the proposed merger;

the special committee requested and received from Morgan Stanley an opinion that the consideration to be paid pursuant to the merger agreement was fair from a financial point of view to the holders of our common stock, other than Douglas D. Troxel;

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the special committee, with the assistance of its legal and financial advisors, conducted extensive negotiations with the Silver Lake investors and had the authority to reject the terms of the merger. These negotiations led to an increase in the merger consideration to be received by the unaffiliated stockholders from a price of $22.00 per share initially proposed by Silver Lake investors to $24.00 per share. As a result of these negotiations and the terms under which Mr. Troxel is contributing 7,518,483 Serena shares to Spyglass Merger Corp., the special committee believed that $24.00 per share was the highest price the Silver Lake investors were willing to pay in the merger;

our ability, subject to compliance with the terms and conditions of the merger agreement, to terminate the merger agreement prior to the completion of the merger in order to approve any alternative transaction proposed by a third party that is a superior proposal, as defined in the merger agreement, upon the prior or concurrent payment to Spyglass Merger Corp. or its designee of a $35 million termination fee;

the fact that the unaffiliated stockholders have the right to vote on the merger agreement; and

the availability of appraisal rights to holders of our common stock who comply with all of the required procedures under Delaware law, which allows such holders to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery (see Appraisal Rights).

The special committee believes that the merger is procedurally fair to the unaffiliated stockholders despite the fact that the terms of the merger agreement do not require the approval of at least a majority of our unaffiliated stockholders and the fact that the special committee did not retain an unaffiliated representative to act solely on behalf of our unaffiliated stockholders for purposes of negotiating the terms of the going-private transaction or preparing a report concerning the fairness of the transaction. In this regard, the special committee believes that it was not necessary to retain an unaffiliated representative to act solely on behalf of the unaffiliated stockholders or to require a separate vote of the unaffiliated stockholders because the special committee was charged with representing the interests of such unaffiliated stockholders, it engaged financial and legal advisors to act on its behalf and it was actively involved in extended and numerous deliberations and negotiations regarding the merger on behalf of the unaffiliated stockholders.

The special committee also considered a variety of potentially negative factors concerning the merger agreement and the merger, including the following factors which are not listed in any relative order of importance:

the possibility that the merger might not be consummated and the effect of public announcement of the merger on our sales and operating results and our ability to attract and retain key management, marketing and technical personnel;

the fact that an all cash transaction would be taxable to our stockholders for U.S. federal income tax purposes;

the fact that our stockholders, other than the management participants, will not participate in any future earnings or growth of Serena and will not benefit from any appreciation in value of Serena;

the terms of management participation in the merger and the fact that our directors and executive officers have interests in the transaction that are different from, or in addition to, those of other stockholders of the company;

the fact that Morgan Stanley and its employees had certain business relationships with Silver Lake Partners, which were disclosed to the special committee, and that Wilson Sonsini Goodrich & Rosati and its partners also had certain business relationships with Silver Lake Partners, which were disclosed to the special committee, although with regard to both Morgan Stanley and Wilson Sonsini

Goodrich & Rosati the special committee concluded that these relationships did not impair the independence of its advisors;

that fact that, pursuant to the terms of the contribution and voting agreement, Douglas D. Troxel and the Troxel Trust agreed to vote all of their shares of our common stock that they beneficially own (a) in

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favor of the merger and the related transactions and any matter required to effect those transactions and (b) against alternative acquisition proposals;

the restrictions on the conduct of our business prior to the completion of the merger; and

the fact that Serena is entering into a merger agreement with a newly formed corporation with essentially no assets and, accordingly, that any remedy in connection with a breach of the merger agreement by Spyglass Merger Corp. could be limited.

In the course of reaching its conclusion regarding the fairness of the merger to the unaffiliated stockholders and its decision to approve the merger, the special committee considered analyses presented by Morgan Stanley relating to the going concern value of Serena. These analyses included, among others, a discounted equity value analysis, which addresses the potential future value of a company s common equity as a function of the company s future earnings, an analysis of the premium represented by the $24.00 per share price over recent stock prices compared to comparable transactions, an analysis of Serena s projected financial performance based on publicly available equity research analyst estimates and management estimates of Serena s future financial performance, and an analysis of publicly available price targets published by equity research analysts. These analyses are summarized below under Special Factors Opinion of Morgan Stanley & Co. Incorporated. The special committee did not consider the liquidation value of our assets because it considers us to be a viable going concern business and views the trading history of our common stock as an indication of our value as such. The special committee believes that the liquidation value would be significantly lower than our value as a viable going concern and that, due to the fact that we are being sold as a going concern, the liquidation value is irrelevant to a determination as to whether the merger is fair to the unaffiliated stockholders. Further, the special committee did not consider net book value, which is an accounting concept, as a factor because it believed that net book value is not a material indicator of the value of Serena as a going concern but rather is indicative of historical costs. Our net book value per share as of October 31, 2005 was $6.97. This value is substantially below the $24.00 per share cash merger consideration. In addition, the special committee did not consider the prices paid by us for past purchases of our common stock because those purchases were made at the then current market price.

The foregoing discussion of the information and factors considered by the special committee is not intended to be exhaustive, but includes a number of the factors considered by the special committee. In view of the wide variety of factors considered by the special committee, the special committee did not find it practicable to, and did not, quantify or otherwise assign relative weights to the foregoing factors in reaching its conclusion. In addition, individual members of the special committee may have given different weights to different factors and may have viewed some factors more positively or negatively than others. The special committee approved and recommends the merger agreement and the merger and recommends that our stockholder vote to adopt the merger agreement based upon the totality of the information presented to and considered by it.

Reasons for the Board s Recommendation

In reaching its conclusion regarding the fairness of the merger to our unaffiliated stockholders and its decision to approve the merger agreement and recommend the adoption of the merger agreement by our stockholders, the board of directors relied on the special committee s recommendations and the factors examined by the special committee as described above. In view of the wide variety of factors considered in connection with its evaluation of the proposed merger, the board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the foregoing factors in reaching its conclusion. In addition, individual members of the board of directors may have given different weights to different factors and may have viewed some factors more positively or negatively than others. Rather, the board of directors viewed its position as being based on the totality of the information presented to and considered by it. As part of its determination with respect to the merger, the board of directors adopted the conclusion of the special committee and the analysis underlying the conclusion, based upon its view as to the reasonableness of that conclusion and analysis.

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Opinion of Morgan Stanley & Co. Incorporated

The special committee of the board of directors of Serena retained Morgan Stanley to provide it with financial advisory services and a financial opinion in connection with a possible merger, sale or other business combination. The special committee selected Morgan Stanley to act as its financial advisor based on Morgan Stanley s qualifications, expertise and reputation and its knowledge of the business and affairs of Serena. At the meeting of the special committee on November 10, 2005, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that as of November 10, 2005, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by holders of shares of Serena common stock pursuant to the merger agreement was fair from a financial point of view to such holders other than Douglas D. Troxel, who is referred to in this section of the proxy statement as the Rollover Investor, who is exchanging a portion of his Serena common stock for common stock of Spyglass Merger Corp.

The full text of the written opinion of Morgan Stanley, dated as of November 10, 2005, is attached to this proxy statement as Annex B. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. We encourage you to read the entire opinion carefully. Morgan Stanley s opinion is directed to the special committee of Serena s board of directors and addresses only the fairness from a financial point of view of the consideration to be received by holders of shares of Serena common stock, other than the Rollover Investor, pursuant to the merger agreement as of the date of the opinion. It does not address any other aspects of the merger and does not constitute a recommendation to any holder of Serena common stock as to how to vote at the stockholders meeting to be held in connection with this transaction.

In connection with rendering its opinion, Morgan Stanley, among other things:

- reviewed certain publicly available financial statements and other business and financial information of Serena;
- reviewed certain internal financial statements and other financial and operating data concerning Serena prepared by the management of Serena;
- reviewed certain financial projections of Serena prepared by the management of Serena;
- discussed the past and current operations and financial condition and the prospects of Serena with senior executives of Serena;
- reviewed the reported prices and trading activity for Serena common stock and other publicly available information regarding Serena;
- compared the financial performance of Serena and the prices and trading activity of Serena common stock with that of certain other comparable publicly traded companies and their securities;
- reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;
- participated in discussions and negotiations among representatives of Serena, Spyglass Merger Corp. and their financial and legal advisors;

reviewed the merger agreement, the contribution agreement between Spyglass Merger Corp. and the Rollover Investor, the financing agreements between Spyglass Merger Corp. and Lehman Brothers Inc., Lehman Commercial Paper Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC and UBS Loan Finance LLC, substantially in the form of the drafts dated November 8, 2005 and certain related documents; and

performed such other analyses and considered other such factors as Morgan Stanley deemed appropriate.

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In arriving at its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to Morgan Stanley by Serena for the purposes of this opinion. With respect to the financial projections, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best available estimates and judgments of the future financial performance of Serena. Morgan Stanley also assumed that the merger would be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions including, among other things, that Spyglass Merger Corp. would obtain financing for the merger in accordance with the terms set forth in the financing agreements and that the transactions contemplated by the contribution agreement would be consummated in accordance with its terms. Morgan Stanley relied upon, without independent verification, the assessment by the management of Serena of the validity of, and risks associated with, Serena s existing and future technologies, intellectual property, products and services, and the strategic rationale for the merger. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the merger. Morgan Stanley is not a legal, tax or regulatory advisor and relied upon, without independent verification, the assessment of Serena and its legal, tax or regulatory advisors with respect to such matters. This opinion did not address the fairness of any consideration to be received by the Rollover Investor pursuant to the merger agreement or the contribution agreement. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of Serena nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley s opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, November 10, 2005. Events occurring after such date may affect Morgan Stanley s opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion. Serena did not give any specific instructions to, or impose any limitations on, Morgan Stanley with respect to the procedures followed, or the scope of the investigation to be performed, by Morgan Stanley in rendering its opinion.

The following is a brief summary of the material analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion letter dated November 10, 2005. The various analyses summarized below were based on closing prices for the common stock of Serena as of November 10, 2005, the day of the meeting of the special committee of the board of directors of Serena to consider and approve the merger. Some of these summaries of financial analyses include information presented in tabular format. In order fully to understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Trading Range Analysis. Morgan Stanley performed a trading range analysis to provide background and perspective with respect to the historical share prices of Serena common stock. Morgan Stanley reviewed the range of closing prices of Serena common stock for various periods ending on November 10, 2005. Morgan Stanley observed the following:

Period Ending November 10, 2005	**Range of Closing Prices**	
Last 30 Trading Days	$19.12	$23.65
Last 60 Trading Days	$18.00	$23.65
Last 90 Trading Days	$17.84	$23.65
Last 12 Months	$17.84	$23.76
Unaffected Closing Price (10/28/2005)	$20.03	

Morgan Stanley noted that the consideration per share of $24.00 to be received by holders of Serena common stock pursuant to the merger agreement reflected a 1% premium to Serena s closing price as of November 10, 2005, a 17% premium to the average closing price per share of Serena common stock for the 30 trading days prior to and including November 10, 2005, a 21% premium to the average closing price per share of Serena common stock for the 60 trading days prior to and including November 10, 2005 and a 21% premium to the average closing price per share of Serena common stock for the 90 trading days prior to and including November 10, 2005. In addition,

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Morgan Stanley noted that on October 31, 2005, Serena s common stock price increased 9.3% and approximately 2.3 million shares of Serena common stock traded in the market, substantially higher than the average historical trading volume of Serena s common stock. Based in part on such price and volume data and the belief of the special committee that the increase may have resulted from rumors about a potential transaction, Morgan Stanley estimated an unaffected price per share of Serena common stock of $20.03, which was the closing price of Serena common stock as of October 28, 2005, the last trading day prior to October 31, 2005. Morgan Stanley noted that the consideration per share of $24.00 received by holders of Serena common stock pursuant to the merger agreement reflected a 20% premium to Serena s unaffected closing price as of October 28, 2005.

Review of Projected Financial Performance. Morgan Stanley reviewed Serena s projected financial performance based on publicly available equity research estimates through fiscal year 2007 and extrapolations to such equity research estimates for fiscal year 2008, which is referred to in this section as the Street Case. In addition, Morgan Stanley reviewed management estimates of Serena s projected financial performance for fiscal years 2006, 2007 and 2008, which is referred to in this section as the Management Case. A summary of the Street Case and Management Case is set forth in the following table:

Fiscal Year (January 31)	Street Case				Management Case			
Financial Statistic	($ in millions)				($ in millions)			
(Excluding Certain Non-Cash Expenses and Nonrecurring Items)	Revenue		Operating Income		Revenue		Operating Income	
	Amount	% Growth	Amount	% Margin	Amount	% Growth	Amount	% Margin
FY 2006	$ 248	10%	$ 84	34%	$ 253	13%	$ 88	35%
FY 2007	260	5	91	35	274	8	104	38
FY 2008	276	6	99	36	296	8	118	40

Morgan Stanley noted that Serena s historical operating income margins were higher than companies that shared similar business characteristics of Serena and that both the Street Case and Management Case assumed further improvement in Serena s operating income margins.

Comparable Company Analysis. Morgan Stanley performed a comparable company analysis, which attempts to provide an implied value of a company by comparing it to similar companies. Morgan Stanley compared certain financial information of Serena with publicly available consensus equity research estimates for other companies that shared similar business characteristics of Serena. Specifically, Morgan Stanley selected companies that sold software products that are competitive with, or closely related to, Serena s products. Morgan Stanley did not select companies based on the amount of their revenue or the size of their market capitalization. Certain companies that sell software products similar to Serena s products were omitted due to the diversified nature of these companies businesses or other characteristics that, in Morgan Stanley s judgment, rendered such companies not directly comparable to Serena. The companies used in this comparison included the following software companies:

BMC Software, Inc.

Borland Software Corporation

Computer Associates International, Inc.

Compuware Corporation

Mercury Interactive Corporation

Quest Software, Inc.

For purposes of this analysis, Morgan Stanley analyzed the following statistics of each of these companies for comparison purposes:

the ratio of aggregate value, defined as market capitalization plus total debt less cash and cash equivalents, to estimated calendar years 2005 and 2006 revenue (based on publicly available equity research estimates);

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the ratio of aggregate value to trailing twelve-month EBITDA, defined as earnings before interest, taxes, depreciation and amortization;

the ratio of price to estimated cash earnings per share, defined as net income excluding certain non-cash and non-recurring expenses divided by fully diluted shares outstanding, for calendar year 2006 (based on publicly available equity research estimates); and

the ratio of price to estimated cash earnings per share for calendar years 2005 and 2006 (based on publicly available equity research estimates) divided by publicly available equity research consensus long-term earnings growth estimates.

Based on the analysis of the relevant metrics for each of the comparable companies, Morgan Stanley selected representative ranges of financial multiples of the comparable companies and applied this range of multiples to the relevant Serena financial statistic. For purposes of estimated calendar years 2005 and 2006 revenues, EBITDA and earnings per share, Morgan Stanley utilized publicly available equity research estimates as of November 10, 2005. For purposes of calculating the implied value per share based on a range of price to earnings ratios and related growth rates, Morgan Stanley multiplied calendar years 2005 and 2006 earnings per share by the representative ranges of price to earnings ratios and related growth rates. For purposes of calculating the implied value per share based on a range of aggregate value to revenue or aggregate value to EBITDA ratios, Morgan Stanley multiplied calendar years 2005 and 2006 revenue and trailing twelve-month EBITDA, respectively, by the representative ranges of aggregate value to revenue or aggregate value to EBITDA ratios, respectively, added Serena s net cash balance, and divided by Serena s fully diluted shares outstanding. Based on Serena s outstanding shares and options as of November 10, 2005, Morgan Stanley estimated the implied value per Serena common share as of November 10, 2005 as follows:

Calendar Year Financial Statistic	Serena Financial Statistic ($ in millions except EPS)	Comparable Company Multiple Range		Implied Value Per Share for Serena	
Aggregate Value to Estimated 2005 Revenue	$248	1.8x	3.5x	$9.86	$19.77
Aggregate Value to Estimated 2006 Revenue	$260	1.5x	3.0x	$8.51	$17.82
Aggregate Value to LTM EBITDA	$90	10.0x	12.0x	$20.51	$24.02
Price to Estimated 2006 Earnings Per Share	$1.42	14.0x	18.0x	$19.87	$25.54
Price to Estimated 2005 Earnings Per Share to Estimated Long-Term Earnings Growth	$1.31 / (12.5% LTG)	1.0x	2.0x	$16.35	$32.71
Price to Estimated 2006 Earnings Per Share to Estimated Long-Term Earnings Growth	$1.42 / (12.5% LTG)	0.8x	2.0x	$14.19	$35.48

Morgan Stanley noted that the consideration per share to be received by holders of Serena common stock pursuant to the merger agreement was $24.00.

No company utilized in the comparable company analysis is identical to Serena. In evaluating comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Serena, such as the impact of competition on the businesses of Serena and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Serena or the industry or in the financial markets in general. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using peer group data.

Discounted Equity Value Analysis. Morgan Stanley performed a discounted equity value analysis, which is designed to provide insight into the future value of a company s common equity as a function of the company s future earnings and its current forward price to earnings multiples.

The resulting value is subsequently discounted to arrive at a present value for the company s stock price. In connection with this analysis, Morgan Stanley calculated a range of present equity values per share for Serena s common stock on a standalone basis. To calculate the discounted equity value, Morgan Stanley utilized calendar year 2007 forecasts from the

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Management Case and the Street Case. Morgan Stanley multiplied forecasted calendar year 2007 earnings per share from the Management Case and the Street Case by the range of price to earnings ratios obtained from its comparable companies analysis to derive a range of future values per share. Morgan Stanley then discounted this range of future values per share by a discount rate of 11.5% to derive a range of present values per share. Morgan Stanley selected the discount rate based on a weighted average cost of capital analysis of Serena.

The following table summarizes Morgan Stanley s analysis:

Calendar Year 2007 Financial Statistic	Serena Financial Statistic	Forward Price to Earnings Multiple Range		Implied Value Per Share of Serena	
Street Case Earnings Per Share	$ 1.48	14.0x	18.0x	$ 18.63	$23.95
Management Case Earnings Per Share	$ 1.75	14.0x	18.0x	$ 21.98	$28.26

Morgan Stanley noted that the consideration per share to be received by holders of Serena common stock pursuant to the merger agreement was $24.00.

Equity Research Analysts Price Targets. Morgan Stanley reviewed and analyzed future public market trading price targets for Serena common stock prepared and published by equity research analysts. These targets reflect each analyst s estimate of the future public market trading price of Serena common stock. The range of undiscounted analyst price targets for Serena was $22.00 to $29.00 with a median price target of $23.50. Morgan Stanley noted that the consideration per share to be received by holders of Serena common stock pursuant to the merger agreement was $24.00.

The public market trading price targets published by the equity research analysts do not necessarily reflect current market trading prices for Serena common stock and these estimates are subject to uncertainties, including the future financial performance of Serena and future financial market conditions.

Analysis of Precedent Transactions. Morgan Stanley also performed a precedent transaction analysis, which is designed to imply a value of a company based on publicly available financial terms and premiums of selected transactions that share certain characteristics with the merger. In connection with its analysis, Morgan Stanley compared publicly available statistics for fourteen selected software sector transactions between January 1, 2002 and November 3, 2005 in which the target company was publicly traded and transaction values were between $500 million and $2 billion. Morgan Stanley selected these precedent transactions because the target companies were in the software sector, the same broad industry as Serena, and because the precedent transaction values were comparable in size to the merger, regardless of whether the precedent transaction was a going-private transaction or a leveraged buyout. The following is a list of these transactions:

Selected Precedent Transactions (Target / Acquiror)

Ascential Software Corporation / International Business Machines Corporation

Aspect Communications Corporation / Concerto Software, Inc.

Documentum, Inc. / EMC Corporation

DoubleClick Inc. / Hellman & Friedman, LLC

Geac Computer Corporation Ltd. / Golden Gate Capital

HNC Software Inc. / Fair Isaac Corporation

J.D. Edwards & Company / PeopleSoft, Inc.

Legato Systems, Inc / EMC Corporation

Netegrity, Inc. / Computer Associates International, Inc.

Overture Services, Inc. / Yahoo! Inc.

Precise Software Solutions Ltd. / Veritas Software Corporation

Square Co., Ltd. / Enix Corporation

Systems & Computer Tech / Sungard Data Systems Inc.

Verity Inc. / Autonomy Corporation

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For each transaction noted above Morgan Stanley noted the following financial statistics where available: (1) aggregate value to last twelve months estimated revenues; (2) aggregate value to next twelve months estimated revenues; (3) implied premium to closing share price one trading day prior to announcement; and (4) implied premium to 30 trading day average closing share price prior to announcement. Based on the analysis of the relevant metrics for each of the precedent transactions, Morgan Stanley selected representative ranges of financial metrics of the precedent transactions and applied this range of metrics to the relevant Serena financial statistic. For purposes of estimating Serena s next twelve months revenues, Morgan Stanley utilized publicly available equity research estimates as of November 10, 2005. For purposes of calculating the implied value per share based on a range of precedent aggregate value to last twelve months revenue or aggregate value to next twelve months estimated revenue ratios, Morgan Stanley multiplied Serena s last twelve months revenue and next twelve months revenue, respectively, by the representative ranges of precedent aggregate value to last twelve months revenue or aggregate value to next twelve months estimated revenue ratios, respectively, added Serena s net cash balance, and divided by Serena s fully diluted shares outstanding. Morgan Stanley also applied the representative range of one-day premiums to Serena s closing common stock price as of November 10, 2005 and October 28, 2005 and the representative range of premiums to 30-day average closing share prices to the average closing price of Serena common stock over the 30-day period ended November 10, 2005. The following table summarizes Morgan Stanley s analysis:

Precedent Transaction Financial Statistic	Reference Range		Implied Value Per Share		Serena Merger Statistic
Aggregate Value to Last Twelve Months (LTM) Revenues	3.0x	5.0x	$ 16.97	$26.87	4.4x
Aggregate Value to Next Twelve Months (NTM) Estimated Revenues	3.0x	4.0x	$ 17.82	$23.31	4.2x
Premium to 1-day prior closing share price	15%	40%	$ 27.20	$33.11	1%
Premium to unaffected closing share price (10/28/2005)	15%	40%	$ 23.03	$28.04	20%
Premium to 30-day average closing share price	10%	40%	$ 22.62	$28.79	17%

Morgan Stanley noted that the consideration per share to be received by holders of Serena common stock pursuant to the merger agreement was $24.00.

No company or transaction utilized in the precedent transaction analysis is identical to Serena or the merger. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to general business, market and financial conditions and other matters, which are beyond the control of Serena, such as the impact of competition on the business of Serena or the industry generally, industry growth and the absence of any adverse material change in the financial condition of Serena or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value of the transactions to which they are being compared.

Leveraged Buyout Analysis. Morgan Stanley also analyzed Serena from the perspective of a potential purchaser that was primarily a financial buyer that would effect a leveraged buyout of Serena using a debt capital structure consistent with the merger. Morgan Stanley extrapolated Serena s EBITDA, cash balance and debt outstanding through calendar year 2010 from the Street Case and Management Case. Based on its experience, Morgan Stanley assumed that a financial sponsor would exit its Serena investment in calendar year 2010 at an aggregate value range that represented a multiple of 9.0x-11.0x forecasted calendar year 2010 EBITDA. Morgan Stanley added Serena s forecasted calendar year 2010 cash balance and subtracted Serena s forecasted 2010 debt outstanding to calculate Serena s calendar year 2010 equity value range. Based on Serena s assumed calendar year 2010 equity value range and Morgan Stanley s assumption, based on its experience, that financial sponsors would likely target 5-year internal rates of return of 15% to 25% for the Street Case and 20% to 25% for the Management Case, Morgan Stanley derived a range of implied values per share that a financial sponsor might be willing to pay to acquire Serena. These ranges are detailed below:

Leveraged Buyout Analysis Forecast Case	Internal Rate of Return Range		Implied Value Per Share of Serena	
Street Case	15%	25%	$18.95	$23.93

Management Case	20%	25%	$21.07	$24.65

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Morgan Stanley noted that the consideration per share to be received by holders of Serena common stock pursuant to the merger agreement was $24.00.

In connection with the review of the merger by the special committee of Serena s board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley s view of the actual value of Serena. In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters. Many of these assumptions are beyond the control of Serena. Any estimates contained in Morgan Stanley s analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness of the consideration pursuant to the merger agreement from a financial point of view to holders of shares of Serena common stock other than the Rollover Investor and in connection with the delivery of its opinion dated November 10, 2005 to the special committee of Serena s board of directors. These analyses do not purport to be appraisals or to reflect the prices at which shares of common stock of Serena might actually trade.

The merger consideration was determined through negotiations between the special committee of the board of directors of Serena and Spyglass Merger Corp. and was recommended by the special committee for approval by Serena s board of directors and approved by Serena s board of directors. Morgan Stanley provided advice to the special committee of Serena s board of directors during these negotiations. Morgan Stanley did not, however, recommend any specific merger consideration to Serena, the special committee of its board of directors or its board of directors or that any specific merger consideration constituted the only appropriate consideration for the merger.

In addition, Morgan Stanley s opinion and its presentation to the special committee of Serena s board of directors was one of many factors taken into consideration by the special committee of Serena s board of directors in deciding to approve the merger. Consequently, the analyses as described above should not be viewed as determinative of the opinion of the special committee of Serena s board of directors or of Serena s board of directors with respect to the consideration or of whether the special committee of Serena s board of directors or Serena s board of directors would have been willing to agree to different consideration. The foregoing summary describes the material analyses performed by Morgan Stanley but does not purport to be a complete description of the analyses performed by Morgan Stanley.

The special committee of Serena s board of directors retained Morgan Stanley based upon Morgan Stanley s qualifications, experience and expertise. Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the ordinary course of Morgan Stanley s trading and brokerage activities, Morgan Stanley or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or for the account of customers in the equity and other securities of Serena, affiliates of Spyglass Merger Corp. or any other parties, commodities or currencies involved in the merger. In addition, certain of Morgan Stanley s affiliates and officers have committed to invest, and Morgan Stanley, its affiliates, directors or officers, including individuals working with Serena in connection with

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this transaction, may commit in the future to invest, in private equity funds managed by affiliates of Silver Lake Partners.

Under the terms of its engagement letter, Morgan Stanley provided the special committee of Serena s board of directors financial advisory services and a financial opinion in connection with the merger, and Serena has agreed to pay Morgan Stanley a fee of approximately $8.7 million for its services, of which approximately $2.2 million was payable upon announcement of the transaction and the remaining approximately $6.5 million is contingent upon the consummation of the merger. Serena has also agreed to reimburse Morgan Stanley for its expenses, including attorneys fees, incurred in connection with its engagement. In addition, Serena has agreed to indemnify Morgan Stanley and any of its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, relating to or arising out of its engagement and any related transactions.

Position of Douglas D. Troxel, Mark E. Woodward and Robert I. Pender, Jr. as to Fairness

Under the rules of the Securities and Exchange Commission, Douglas D. Troxel, Mark E. Woodward and Robert I. Pender, Jr. are required to provide certain information regarding their position as to the fairness of the merger to the unaffiliated stockholders of Serena. Messrs. Troxel, Woodward and Pender are making the statements included in this section solely for purposes of complying with such requirements. Messrs. Troxel, Woodward and Pender s views as to the fairness of the merger should not be construed as a recommendation to any stockholder as to how that stockholder should vote on the proposal to adopt the merger agreement.

Messrs. Troxel, Woodward and Pender have interests in the merger different from, and in addition to, the other stockholders of Serena. These interests are described under Special Factors Interests of the Company s Directors and Executive Officers in the Merger.

None of Messrs. Troxel, Woodward or Pender undertook a formal evaluation of the fairness of the merger or engaged a financial advisor for such purposes, nor did any of them receive advice from the special committee s legal or financial advisors as to the fairness of the merger. However, each of Messrs. Troxel, Woodward and Pender believes that the merger agreement and the merger are substantively and procedurally fair to the unaffiliated stockholders of Serena and has adopted the analyses and conclusions of the special committee based upon the reasonableness of those analyses and conclusions and his knowledge of Serena, as well as the factors considered by, and the findings of, the special committee with respect to the fairness of the merger to such stockholders (see Special Factors Recommendation of the Special Committee and Board of Directors and Special Factors Reasons for the Special Committee s Recommendation). While Messrs. Troxel, Woodward and Pender are directors of Serena, because of their differing interests in the merger, they did not participate in the negotiation of the merger agreement or the evaluation or approval of the merger agreement and the merger. In addition, in order to induce the Silver Lake investors to agree to the price of $24.00 per share for Serena common stock in the merger, Mr. Troxel agreed to contribute 7,518,483 Serena shares to Spyglass Merger Corp. at a valuation of $20.50 per share, rather than $24.00 per share. Mr. Troxel is therefore receiving substantially less value for the 7,518,483 Serena shares he is contributing to Spyglass Merger Corp. than unaffiliated stockholders will receive for their Serena shares in the merger.

The foregoing discussion of the information and factors considered and given weight by Messrs. Troxel, Woodward and Pender in connection with the fairness of the merger agreement and the merger is not intended to be exhaustive but is believed to include all material factors considered by Messrs. Troxel, Woodward and Pender. Messrs. Troxel, Woodward and Pender did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching his position as to the fairness of the merger agreement and the merger. Each of Messrs. Troxel, Woodward and Pender believes that these factors provide a reasonable basis for his belief that the merger is fair to the unaffiliated stockholders of Serena.

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Position of the Silver Lake Filers as to Fairness

Under a possible interpretation of the rules of the Securities and Exchange Commission governing going private transactions, one or more of Spyglass Merger Corp. and Silver Lake Partners II, L.P., who are referred to in this section of the proxy statement as the Silver Lake Filers, may be deemed to be affiliates of Serena. The Silver Lake Filers are making the statements included in this section of the proxy statement solely for the purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

The Silver Lake Filers believe that the merger is both substantively and procedurally fair to Serena s unaffiliated stockholders. However, the Silver Lake Filers have not undertaken any formal evaluation of the fairness of the merger to Serena s unaffiliated stockholders or engaged a financial advisor for such purposes. Moreover, the Silver Lake Filers did not participate in the deliberations of the special committee or receive advice from the special committee s advisors in connection with the merger.

The belief of the Silver Lake Filers that the merger is substantively and procedurally fair to the unaffiliated stockholders of Serena is based on the following factors:

- the $24.00 per share merger consideration and other terms and conditions of the merger agreement resulted from extensive negotiations between the special committee and its advisors and the Silver Lake investors and their advisors;
- the special committee unanimously determined that the merger agreement and the merger is fair to the unaffiliated stockholders of Serena and in the best interests of such stockholders and Serena;
- the merger was unanimously approved by the directors present at the meeting called for that purpose, which included all of the directors except Douglas D. Troxel, who was absent from the meeting due to a prior commitment;
- notwithstanding that the Morgan Stanley opinion was provided solely for the information and assistance of the special committee and the Silver Lake Filers are not entitled to rely on such opinion, the fact that the special committee received an opinion from Morgan Stanley to the effect that, based upon and subject to the assumptions, qualifications and limitations set forth in such opinion, as of the date of such opinion, the $24.00 per share consideration to be received by holders of shares of Serena common stock pursuant to the merger agreement was fair from a financial point of view to such holders other than Douglas D. Troxel;
- the fact that the $24.00 per share price represented a premium of 17% over the average closing prices of a share of Serena s common stock over the 30 trading day period prior to and including the date of the special committee s approval of the merger and a 21% premium to the average closing price of Serena s common stock over the 60 and 90 trading day periods prior to and including that date;
- the 18% increase in Serena s stock price in the nine trading days prior to the announcement of the transaction and the belief of the Silver Lake Filers that the increase may have resulted from rumors about a potential transaction;
- the merger will provide consideration to the stockholders of Serena entirely in cash, which provides certainty of value;
- the special committee retained and received advice from Morgan Stanley, as financial advisor, and Wilson Sonsini Goodrich & Rosati, as legal advisor, each of which has extensive experience in transactions similar to the proposed merger;

The Silver Lake Filers did not participate in or have any influence on the deliberative process of, or the conclusions reached by, the special committee or the negotiating positions of the special committee;

the availability of appraisal rights to holders of Serena common stock who comply with all of the required procedures under Delaware law; and

the merger agreement provides Serena with the ability to terminate the merger agreement in order to recommend, approve or accept a superior proposal that would, if completed, result in a transaction more

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favorable to Serena s stockholders from a financial point of view than the merger, subject to certain conditions, including the prior or concurrent payment of a termination fee of $35 million.

The Silver Lake Filers considered each of the foregoing factors to support their determination as to the fairness of the merger to the unaffiliated stockholders of Serena. The Silver Lake Filers did not find it practicable to assign, nor did they assign, relative weights to the individual factors considered in reaching their conclusion as to the fairness of the merger to such stockholders.

The Silver Lake Filers did not consider the company s net book value, which is an accounting concept, to be a factor in determining the substantive fairness of the transaction to Serena s unaffiliated stockholders because they believed that net book value is not a material indicator of the value of Serena as a going concern but rather an indicator of historical costs. The Silver Lake Filers also did not consider the liquidation value of Serena s assets as indicative of Serena s value primarily because of their belief that the liquidation value would be significantly lower than Serena s value as a viable going concern and that, due to the fact that Serena is being sold as a going concern, the liquidation value is irrelevant to a determination as to whether the merger is fair to the unaffiliated stockholders of Serena. The Silver Lake Filers did not consider the prices paid by Serena for past purchases of its common stock because those purchases were made at the then current market price. The Silver Lake Filers were aware that several of the analyses performed by Morgan Stanley in connection with its fairness opinion to the special committee and the board of directors of Serena addressed the value of Serena on a going concern basis, and the Silver Lake Filers believe that these analyses support their conclusion that the transaction is fair to Serena s unaffiliated stockholders. The Silver Lake Filers did not independently establish a pre-merger going concern value for Serena s equity for the purposes of determining the fairness of the merger consideration to Serena s unaffiliated stockholders because (1) the Silver Lake Filers confined their own financial analysis to an assessment of the value of Serena as an investment by the Silver Lake Filers, and (2) the Silver Lake Filers do not believe that their performing such a pre-merger going concern analysis themselves would be material to their conclusion that the transaction is fair to Serena s unaffiliated stockholders because such an analysis was not used to determine the amount of cash consideration the Silver Lake Filers were willing to pay in the merger.

In making their determination as to the substantive fairness of the proposed merger to the unaffiliated stockholders of Serena, the Silver Lake Filers were not aware of any firm offers during the prior two years by any person for the merger or consolidation of Serena with another company, the sale or transfer of all or substantially all of Serena s assets or a purchase of Serena s assets that would enable the holder to exercise control of Serena.

The Silver Lake Filers view as to the fairness of the merger to the unaffiliated stockholders of Serena is not a recommendation as to how any such stockholder should vote on the merger. The foregoing discussion of the information and factors considered and weight given by the Silver Lake Filers is not intended to be exhaustive but is believed to include all material factors considered by the Silver Lake Filers.

Purposes and Structure of the Merger

The purpose of the merger for Serena is to enable its stockholders to immediately realize the value of their investment in Serena through their receipt of the per share merger price of $24.00 in cash, without interest. In this respect, the special committee and the board of directors believed that the merger was more favorable to such stockholders than any other alternative reasonably available to Serena and its stockholders because of the uncertain returns to such stockholders in light of the company s business, operations, financial condition, strategy and prospects, as well as the risks involved in achieving those prospects, and general industry, economic and market conditions, both on a historical and on a prospective basis. In particular, the special committee and the board believe that we face several challenges in our efforts to increase stockholder value as an independent publicly-traded company, including competition from companies with substantially greater scale, declining valuation multiples in our market sector and the concerns of investors that our association with mainframe computing (a sector that is more mature and has recently experienced lower growth than many other information technology markets) may limit our growth opportunities and that our long-term efforts to address these and other

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concerns are made more difficult by the short-term focus of the public equity markets on quarterly financial results. For these reasons, and the other reasons discussed under Special Factors Reasons for the Special Committee s Recommendation, and Special Factors Reasons for the Board s Recommendation, the special committee and the board of directors each have determined that the merger agreement and the merger, upon the terms and conditions set forth in the merger agreement, are advisable and fair to and in the best interests of our unaffiliated stockholders.

The purpose of the merger for Messrs. Troxel, Woodward and Pender is to allow them to seek to grow Serena s business with the support and assistance of Silver Lake Partners and without the added costs and short-term distractions inherent in being a company with publicly-traded equity securities. They share the view of the special committee and the board of directors that we face several challenges in our efforts to increase stockholder value as an independent publicly-traded company, including competition from companies with substantially greater scale, declining valuation multiples in our market sector and investor concern over our association with mainframe computing and that our long-term efforts to address these and other concerns are made more difficult by the short-term focus of the public equity markets on quarterly financial results. Messrs. Troxel, Woodward and Pender believe that efforts to effect the fundamental changes necessary to Serena s business model to grow the business potentially would not be perceived positively by the public equity markets and would result in significant distraction to management, issues that they believe will be significantly alleviated if Serena is a private company.

For Spyglass Merger Corp. and Silver Lake Partners II, L.P., the purpose of the merger is to allow Silver Lake Partners II, L.P. and the other stockholders of Spyglass Merger Corp. to own Serena and to bear the rewards and risks of such ownership after Serena s common stock ceases to be publicly traded. The transaction has been structured as a cash merger in order to provide the unaffiliated stockholders of Serena with cash for all of their shares and to provide a prompt and orderly transfer of ownership of Serena in a single step, without the necessity of financing separate purchases of Serena s common stock in a tender offer or implementing a second-step merger to acquire any shares of common stock not tendered into any such tender offer, and without incurring any additional transaction costs associated with such activities.

Serena decided to proceed with the merger and going private transaction at this time because we believe that the merger is more favorable to the unaffiliated stockholders of Serena than any other alternative reasonably available to Serena and its stockholders, including remaining as a standalone public company. Another factor that led to our decision to pursue the transaction at this time is the recent significant increase in the costs and burdens associated with being a public company.

On November 10, 2005, the last trading day prior to the announcement of the merger, the closing price of our common stock was $23.65 per share and the trading volume was 482,400 shares.

Certain Effects of the Merger

If the merger agreement is adopted by our stockholders and the other conditions to the closing of the merger are either satisfied or waived, Spyglass Merger Corp. will be merged with and into Serena, with Serena being the surviving corporation. When the merger is completed, each share of Serena common stock issued and outstanding immediately prior to the effective time of the merger (other than shares held in the treasury of Serena, owned by Spyglass Merger Corp. or any wholly owned subsidiary of Spyglass Merger Corp. or Serena or held by Serena stockholders who are entitled to and who properly exercise appraisal rights under Delaware law) will be converted into the right to receive $24.00 in cash, without interest.

Following the merger, the entire equity in Serena is expected to be owned by the Silver Lake investors and the management participants. If the merger is completed, Serena s current stockholders, other than the management participants, will cease to have any direct or indirect ownership interest in Serena or rights as stockholders of Serena. As a result, those stockholders of Serena will not participate in any future earnings or

growth of Serena and will not benefit from any appreciation in value of Serena.

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Following the merger, the entire interest in Serena s net book value and net earnings will be held by the Silver Lake investors and the management participants. As described in greater detail below, prior to the completion of the merger, the management participants other than Messrs. Troxel, Woodward and Pender, who have already committed to retain equity interests in the surviving corporation, are expected to be provided the opportunity to acquire shares of Serena common stock after completion of the merger and to retain all or a portion of their current options to acquire shares of Serena common stock. Because the results of this investment opportunity are not known as of the date of this proxy statement, the percentage beneficial ownership of shares of Serena common stock after completion of the merger by Silver Lake Partners II, L.P. and the management participants as a group is not known as of the date of this proxy statement. Assuming that each of the management participants participates in such investment opportunity to the extent we currently expect, the beneficial ownership of each of Silver Lake Partners II, L.P. and Messrs. Troxel, Woodward and Pender would be the following after the completion of the merger:

	Expected Beneficial Ownership of Serena Common Stock Post-Merger (%)
Silver Lake Partners II, L.P.	68.6%
Douglas D. Troxel	31.4
Mark E. Woodward	1.6
Robert I. Pender, Jr.	0.9

The table below sets forth the direct and indirect interests of Silver Lake Partners II, L.P. and each of Messrs. Troxel, Woodward and Pender in Serena s net book value and net earnings as of and for the fiscal year ended January 31, 2005, respectively, prior to and immediately after the merger.

	Ownership Prior to the Merger (1)				Ownership After the Merger (2)			
	Net Book Value		Earnings		Net Book Value		Earnings	
	$ in thousands	%	$ in thousands	%	$ in thousands	%	$ in thousands	%
Silver Lake Partners II, L.P.	$	0.0%	$	0.0%	$ 204,165	68.6%	$ 6,507	68.6%
Douglas D. Troxel	84,217	28.3	2,684	28.3	93,452	31.4	2,979	31.4
Mark E. Woodward	7,264	2.4	232	2.4	4,762	1.6	152	1.6
Robert I. Pender, Jr.	4,518	1.5	144	1.5	2,679	0.9	85	0.9

(1) Based upon beneficial ownership of Serena common stock as of December 31, 2005. As a result of the voting and transfer restrictions set forth in the contribution and voting agreement, which is described in Other Agreements Contribution and Voting Agreement and attached as Annex D to this proxy statement, Silver Lake Partners II, L.P. and its general partner may be deemed to beneficially own each of the shares indicated as beneficially owned by Douglas D. Troxel in the table above. Silver Lake Partners II, L.P. and its general partner are not entitled to any rights as a stockholder of Serena, other than the voting rights it may have pursuant to the contribution and voting agreement with respect to shares beneficially owned by Douglas D. Troxel, and Silver Lake Partners II, L.P. and its general partner disclaim beneficial ownership of the shares of common stock which are beneficially owned by Douglas D. Troxel.

(2) Based upon the expected beneficial ownership of Serena common stock immediately after completion of the merger.

The merger agreement provides that immediately prior to the effective time of the merger, all outstanding options to acquire Serena common stock will become fully vested and immediately exercisable unless otherwise agreed between the holder of any of those options and Spyglass Merger Corp. All options (other than options held by the management participants, who are expected to be offered the opportunity to retain amended options as described below) will automatically be cancelled immediately prior to the effective time of the merger (to the extent

permissible under Serena stock plans) and will be converted into a right to receive an amount in cash (without interest), less applicable withholding taxes, equal to the product of (1) the number of shares of our common stock subject to each option, as of the effective time of the merger, multiplied by (2) the excess of

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$24.00 over the exercise price per share of Serena common stock subject to such option, which we refer to as the option consideration. If the applicable Serena stock plan does not permit Serena to cancel outstanding options without the consent of the individual who has received the option, Serena expects to make an offer to such option holders to cancel all of their options in exchange for the option consideration upon the cancellation of his or her outstanding options. In no event will the holder of one or more Serena stock options that are cancelled pursuant to the foregoing receive less than an aggregate of $500 in consideration for the cancellation of all of his or her options. In the event that any of such options are not cancelled prior to the merger or, in the case of the management participants, amended prior to the merger, then such outstanding options will be subject to adjustment upon completion of the merger pursuant to the terms set forth in the applicable Serena stock plans. The management participants will not receive any cash payment with respect to the amended options that they elect to retain, as described below.

Serena s common stock is currently registered under the Securities Exchange Act of 1934 and is quoted on The NASDAQ National Market under the symbol SRNA. As a result of the merger, Serena will become a privately held corporation, and there will be no public market for its common stock. After the merger, the common stock will cease to be quoted on The NASDAQ National Market, and price quotations with respect to sales of shares of common stock in the public market will no longer be available. In addition, we expect that the registration of our common stock under the Securities Exchange Act of 1934 will be terminated. This termination will make certain provisions of the Exchange Act, such as the requirement of filing periodic and other reports with the Securities and Exchange Commission and furnishing a proxy or information statement in connection with stockholders meetings, no longer applicable to Serena on account of its common stock. In addition, this termination will result in Serena no longer being subject to the provisions of the Sarbanes-Oxley Act of 2002 or the liability provisions of the Securities Exchange Act of 1934 immediately following the merger and officers of Serena will no longer be required to publicly certify the accuracy and completeness of the financial statements and other information relating to Serena.

At the effective time of the merger, the directors of Spyglass Merger Corp. together will be the initial directors of the surviving corporation and we expect that most of the current executive officers of Serena will continue as executive officers of the surviving corporation. Pursuant to the stockholders agreement that will be entered into by Spyglass Merger Corp., Douglas D. Troxel, the Troxel Trust and the Silver Lake Investors immediately prior to the completion of the merger, the board of directors of the surviving corporation initially will include the chief executive officer of the surviving corporation and two board members designated by the Troxel Trust. The certificate of incorporation of Serena will be amended as set forth in an exhibit to the merger agreement so as to contain only the provisions of the certificate of incorporation of Spyglass Merger Corp. as in effect immediately prior to the effective time of the merger, except that the name of the surviving corporation will continue to be Serena Software, Inc. The bylaws of Spyglass Merger Corp. in effect immediately prior to the effective time of the merger will become the bylaws of the surviving corporation.

It is expected that, upon consummation of the merger, the operations of Serena will be conducted substantially as they currently are being conducted, except that Serena will not be subject to the obligations and constraints, and the related direct and indirect costs and personnel requirements, associated with having publicly-traded equity securities. The Silver Lake investors have advised Serena that they do not have any current plans or proposals that relate to or would result in an extraordinary corporate transaction following completion of the merger involving Serena s corporate structure, business or management, such as a merger, reorganization, liquidation, relocation of any operations or sale or transfer of a material amount of assets. We expect, however, that following the merger, Serena s management and the Silver Lake investors will continuously evaluate and review Serena s business and operations and may develop new plans and proposals that they consider appropriate to maximize the value of Serena.

In connection with the merger, the management participants will receive benefits and be subject to obligations in connection with the merger that are different from, or in addition to, the benefits and obligations of Serena stockholders generally. These incremental benefits and additional obligations include the right and

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obligation of Mr. Troxel to cause the Troxel Trust to make an agreed upon equity investment in the surviving corporation and Messrs. Woodward and Pender to make at least an agreed upon minimum equity investment in the surviving corporation, which investments will include the exchange of a portion of their Serena shares for shares of common stock of Spyglass Merger Corp. At the effective time of the merger, these shares of common stock of Spyglass Merger Corp. will convert into shares of common stock in Serena, which will be the surviving corporation in the merger. In addition, each of the management participants, other than Mr. Troxel, will have the opportunity to acquire shares of Serena upon completion of the merger for cash or the assignment to Spyglass Merger Corp. of the cash proceeds to be received in the merger by such members for shares of Serena common stock they currently hold and to retain some or all of his or her existing options to acquire Serena common stock, which options would be amended and remain outstanding after the merger. In addition, the management participants, other than Mr. Troxel, are expected after completion of the merger to receive grants of stock options pursuant to a new equity incentive plan that will be adopted by Serena. Additional incremental benefits and obligations for certain of the management participants include continuing as executive officers of the surviving corporation and, with respect to Messrs. Woodward and Pender, executing employment and related agreements with the surviving corporation. Furthermore, Mr. Woodward will continue as President and Chief Executive Officer and as a director of the surviving corporation, Mr. Pender will continue as the Chief Financial Officer and Senior Vice President, Finance and Administration, but not a director, of the surviving corporation and Mr. Troxel will continue as a director, but not an executive officer, of the surviving corporation. For a description of the interests of the management participants, see Interests of the Company s Directors and Executive Officers in the Merger.

The principal benefit of the merger to the Silver Lake investors and the management participants is that our future earnings and growth will be for their benefit and not for the benefit of our other current stockholders. The detriments of the merger to the Silver Lake investors and the management participants are the lack of liquidity for Serena s capital stock following the merger, the fact that equity interests of Serena following the merger will be subject to stockholders agreements that impose restrictions on those equity interests, the risk that Serena will decrease in value following the merger, the incurrence by it of significant additional debt as described below under Special Factors Financing of the Merger and the payment by it of approximately $56.6 million in estimated fees and expenses related to the merger and financing transactions. See Special Factors Financing of the Merger and Special Factors Fees and Expenses of the Merger.

The benefit of the merger to our stockholders (other than the management participants) is the right to receive $24.00 in cash per share, without interest, for all of their shares of Serena common stock. The detriments of the merger to our stockholders, other than the management participants, are that they will cease to participate in our future earnings and growth, if any, and that the receipt of the payment for their shares will be a taxable transaction for federal income tax purposes. See Special Factors Material U.S. Federal Income Tax Consequences.

Effect of the Merger on the Company s Convertible Subordinated Notes

Pursuant to the indenture governing our 1 1/2 % Convertible Subordinated Notes due 2023, any of our existing notes covered by the indenture that are not converted to our common stock prior to the effective time of the merger will, following the merger, be convertible into cash in an amount of $24.00 for each share of our common stock into which the notes were convertible prior to the merger. We are required to send a notice to all holders of record at least 25 days prior to the anticipated effective date of the merger and such holders will be able to surrender their notes from and after the date that is 15 days prior to the anticipated effective date of the merger until the date that is 15 days after the actual effective date of the merger.

In addition, the merger constitutes a change of control under the terms of the indenture. As a result, each holder of the notes will have the right to require us to purchase all of such holder s notes, or any portion of those notes that is equal to $1,000 or a whole multiple of $1,000, on the date that is 45 days after the date we give notice of the change in control, at a purchase price equal to 100% of the principal amount of the notes to be purchased, together with interest accrued and unpaid to, but excluding, the purchase date. However, if such purchase date falls after a

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record date for any interest payment but on or before the related interest payment date, then the interest payable on such date shall be paid to the holder of record of the notes on the relevant record date.

Within 30 days after the occurrence of a change in control, we are required to give notice to all holders of record of notes, as provided in the indenture, of the occurrence of the change in control and of their resulting right to have us purchase their notes. We must also deliver a copy of our notice to the trustee. In order to exercise its right, a holder of notes must deliver, on or before the close of business on the business day before the change of control purchase date referenced in the preceding paragraph, written notice to the trustee of the holder s exercise of its right, together with the notes with respect to which the right is being exercised, which must be in $1,000 multiples.

Effects on the Company if the Merger is Not Completed

In the event that the merger agreement is not adopted by Serena s stockholders or if the merger is not completed for any other reason, our stockholders will not receive the payment for their shares contemplated by the merger agreement. Instead, Serena will remain an independent public company and its common stock will continue to be listed and traded on The NASDAQ National Market. In addition, if the merger is not completed, we expect that management will operate Serena s business in a manner similar to that in which it is being operated today and that Serena stockholders will continue to be subject to the same risks and opportunities as they currently are, including, among other things, general industry, economic and market conditions. Accordingly, if the merger is not consummated, there can be no assurance as to the effect of these risks and opportunities on the future value of your Serena shares. From time to time, Serena s board of directors will evaluate and review, among other things, the business operations, properties, dividend policy and capitalization of Serena, make such changes as are deemed appropriate and continue to seek to identify strategic alternatives to maximize stockholder value. If the merger agreement is not adopted by Serena s stockholders or if the merger is not consummated for any other reason, there can be no assurance that any other transaction acceptable to Serena will be offered or occur or that the business, prospects or results of operations of Serena will not be adversely affected.

If the merger agreement is terminated under certain circumstances, Serena will be obligated to pay a termination fee of $35 million to Spyglass Merger Corp. or its designee. See The Merger Agreement Fees and Expenses.

Financing of the Merger

The obligation of Spyglass Merger Corp. to complete the merger is subject to a debt financing condition, which is described in The Merger Agreement Conditions to the Merger. Spyglass Merger Corp. estimates that approximately $1.14 billion will be the total amount of funds required to pay the merger consideration in connection with the merger, to pay either the as-converted cash amount or the principal and accrued but unpaid interest on the outstanding $220 million in aggregate principal amount of Serena s 1/2% Convertible Subordinated Notes due 2023, in each case at the times and subject to the conditions set forth in the indenture governing the convertible notes, and to pay related fees and expenses.

Spyglass Merger Corp. expects this amount, together with the related working capital requirements of Serena following the completion of the merger, to be provided through a combination of the proceeds of the following:

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

adjustment as described below;

a new $450.0 million senior secured credit facility, consisting of a $375.0 million term credit facility and a $75.0 million revolving credit facility, which we refer to collectively in this proxy statement as the senior secured credit facilities;

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either:

- an offering of new unsecured senior subordinated notes yielding gross proceeds of $225.0 million; or
- a new $225.0 million senior subordinated bridge loan facility; and

cash and cash equivalents held by Serena and its subsidiaries

The Troxel Trust has agreed to contribute an aggregate of 7,518,483 shares of Serena common stock to Spyglass Merger Corp. prior to the merger, in exchange for shares of Spyglass Merger Corp., which will convert into shares of Serena upon completion of the merger. The shares contributed by the Troxel Trust will be valued at $20.50 per share for purposes of such contribution. In addition, each of Mark E. Woodward and Robert I. Pender, Jr. has agreed to contribute a portion of the shares of Serena common stock beneficially owned by him to Spyglass Merger Corp. in exchange for shares of common stock of Spyglass Merger Corp., which will convert into shares of Serena upon completion of the merger. Any shares contributed by Messrs Woodward and Pender will be valued at $24.00 per share for purposes of such contribution and be comprised of a portion of the restricted shares granted to them in June 2005. The number of shares of Spyglass Merger Corp. common stock that will be issued in exchange for the shares of Serena common stock contributed to Spyglass Merger Corp. by the Troxel Trust and Messrs. Woodward and Pender will be equal to the aggregate value of the shares of Serena common stock they contribute to Spyglass Merger Corp. divided by $5.00, which is the price per share being paid by the Silver Lake investors for shares of common stock of Spyglass Merger Corp. in connection with the financing of the merger. These shares of Serena common stock contributed to Spyglass Merger Corp. prior to the merger will be cancelled and cease to exist at the effective time of the merger without any payment being made or consideration delivered in respect of those shares. Each of Messrs. Woodward and Pender has also agreed to retain a portion of his existing options to acquire Serena common stock, which options will be amended and remain outstanding after the merger. Prior to completion of the merger, certain other members of our senior management also are expected to be provided with the opportunity to make or retain an equity investment in Serena after completion of the merger, which investment is expected to consist of the following, as determined by such members: (1) the acquisition of shares of Serena common stock upon completion of the merger for cash or the assignment to Spyglass Merger Corp. of the cash proceeds to be received in the merger by such members for shares of Serena common stock they currently hold, and/or (2) the retention of some or all of their existing options to acquire Serena common stock, which options would be amended and remain outstanding after the merger. Any equity interests that the management participants, other than the Troxel Trust, agree to acquire or to retain will reduce the amount of cash equity investment by the Silver Lake investors as described below. For additional information regarding the equity interests in Serena that the management participants may have after completion of the merger, see Special Factors Interests of the Company s Directors and Executive Officers in the Merger.

Equity Contributions

Each of the Silver Lake investors, the Troxel Trust, Douglas D. Troxel and Spyglass Merger Corp. entered into a contribution and voting agreement, dated as of November 11, 2005, pursuant to which, upon the terms and subject to the conditions set forth in such agreement, the Silver Lake investors and the Troxel Trust agreed to make the following contributions to Spyglass Merger Corp. immediately prior to the completion of the merger:

the Silver Lake investors agreed to provide Spyglass Merger Corp., in connection with the consummation of the merger, with an aggregate cash equity contribution of $349.0 million, which is subject to adjustment as follows:

- such amount will be reduced with respect to the aggregate value of shares of Serena common stock and options to acquire Serena common stock that the management participants other than the Troxel Trust agree prior to the merger to acquire or retain after completion of the merger, as described in greater detail in the section of this proxy statement titled Special Factors Interests of the Company s Directors and Executive Officers in the Merger, and

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such amount will be increased by up to $20.0 million in the aggregate as may be required to finance the merger and related transactions, if the closing of the merger occurs after March 31, 2006 and the aggregate debt financing borrowed on the closing date of the merger to finance the merger and related transactions is less than $600 million; and

the Troxel Trust has agreed to contribute an aggregate of 7,518,483 shares of Serena common stock to Spyglass Merger Corp.

The obligations under the contribution and voting agreement of each of the Silver Lake investors and the Troxel Trust to provide their respective equity contributions are subject to the satisfaction, or waiver, of the following conditions:

the satisfaction in full or waiver of the conditions to the closing of the merger set forth in the merger agreement; and

the termination of all waiting periods, and any extensions of such periods, applicable to such party under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

In consideration for the contributions to Spyglass Merger Corp. described above, Spyglass Merger Corp. will issue to the Silver Lake investors and the Troxel Trust shares of Spyglass Merger Corp. common stock. The Spyglass Merger Corp. common stock will rank junior to the series A preferred stock described below as to rights to payment upon liquidation. With respect to any matter to be voted on by the stockholders of Spyglass Merger Corp. (other than the election of one director by the holder of the share of series A preferred stock), the holders of the Spyglass Merger Corp. common stock will be entitled to one vote for each share of Spyglass Merger Corp. common stock held by them.

In consideration for the contribution to Spyglass Merger Corp. by Silver Lake Partners II, L.P., Spyglass Merger Corp. will issue to Silver Lake Partners II, L.P. one share of series A preferred stock of Spyglass Merger Corp. that will rank senior to the Spyglass Merger Corp. common stock as to rights of payment upon liquidation. The holder of series A preferred stock will not be entitled to any dividends. The holder of the Series A preferred stock, voting as a separate class, will have the right to elect one director of Spyglass Merger Corp. until the earliest of the following to occur: (1) the Silver Lake investors and their affiliates, in the aggregate no longer beneficially own at least 20% of the outstanding share equivalents, (2) the Silver Lake Investors and their affiliates, in the aggregate, no longer beneficially own at least 20% more of the outstanding share equivalents than the Troxel Trust and its affiliates, in the aggregate, beneficially own or (3) the consummation of an underwritten public offering of common stock, registered under the Securities Act of 1933. If any of these three events occurs, Spyglass Merger Corp. will be required to redeem the series A preferred stock for $1.00. The director designated by the holder of the Series A preferred stock will be entitled at any meeting of the board of directors to exercise one vote more than all votes entitled to be cast by all other directors at such time.

The contribution and voting agreement is attached as Annex D to this proxy statement.

Debt Commitment Letter

Spyglass Merger Corp. has entered into a commitment letter, dated as of November 11, 2005, which we refer to in this proxy statement as the debt commitment letter, with Lehman Commercial Paper Inc., Merrill Lynch Capital Corporation, UBS Loan Finance LLC, Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC. Pursuant to, and subject to the terms and conditions of, the debt commitment letter, Lehman Commercial Paper Inc., Merrill Lynch Capital Corporation and UBS Loan Finance LLC have committed to provide to Serena (x) senior secured credit facilities of up to $450.0 million, consisting of a seven-year $375.0 million term credit facility and a six-year $75.0 million revolving credit facility and (y) a $225.0 million senior subordinated bridge loan facility in the event that the contemplated sale by the borrower of $225.0 million of unsecured senior subordinated notes as described below under the caption Special

Factors Effect of the Merger on the Company s Convertible Subordinated Notes has not been consummated at the time the merger is completed.

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The commitments to provide the senior secured credit facilities and the senior subordinated bridge loan facility are subject to customary conditions for financings of these types, including the following:

- the execution and delivery of all documents required to be delivered under the definitive financing documents;
- the receipt of collateral described in the commitment letter;
- the delivery of customary documentation required by certain regulatory authorities;
- the completion of the merger and all related transactions in accordance with the terms of the merger agreement without any waiver, modification or amendment thereof that is materially adverse to the lenders, unless consented to by Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC, which we refer to as the arrangers;
- the consummation of (1) the purchase by the Silver Lake investors of equity of Spyglass Merger Corp. in an aggregate amount of not less than 25% of the total of the capitalization of Serena and the costs related to the merger and related financings and transactions and (2) the rollover of equity interests of Serena by the Troxel Trust;
- with respect to the senior subordinated bridge loan facility, the receipt of, not later than 15 days prior to the closing date, a complete printed preliminary offering memorandum or preliminary prospectus suitable for use in a customary high-yield road show relating to the unsecured senior subordinated notes described below, containing certain financial statements and other data;
- the borrower s compliance, simultaneously with the making of the initial loans, with its obligations under the indenture with respect to Serena s existing convertible subordinated securities in relation to the conversion rights of the holders of such securities;
- there not having occurred since July 31, 2005, any material adverse change with respect to, or material adverse effect on the business, assets, liabilities, financial condition or results of operations of Serena and its subsidiaries, taken as a whole, or any event that would materially impede the ability of Serena to effect the consummation of the transactions contemplated by the merger agreement, other than any change resulting from any of the following:
  - a general deterioration in economic conditions and any acts of war or terrorism, except as disproportionately affecting Serena and its subsidiaries in any significant respect relative to other participants in the industries or markets in which they operate;
  - the announcement of the execution of the merger agreement or the pendency of the merger;
  - changes in law, rule or regulations or generally accepted accounting principles or the interpretation thereof, except as disproportionately affecting Serena and its subsidiaries in any significant respect relative to other participants in the industries or markets in which they operate;
  - any action (or failure to act) outside the ordinary course of business of Serena and its subsidiaries required to be taken pursuant to the merger agreement (other than the consummation of the merger);

the decline in the price of Serena s common stock on The NASDAQ National Market;

any failure by Serena to meet published financial projections, in and of itself; or

any litigation relating to an alleged breach of fiduciary duty in connection with the merger agreement or any effect resulting from such litigation;

receipt of certain historical audited and unaudited financial statements, including quarterly financial statements, of Serena;

receipt of reasonably satisfactory evidence that the ratio of (x) pro forma consolidated total debt to (y) pro forma adjusted consolidated earnings before interest, taxes, depreciation and amortization and

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related non-recurring charges of Serena and its subsidiaries, and calculated in a manner reasonably acceptable to the arrangers and after giving effect to the merger and related financings and transactions, for the immediately preceding four fiscal quarter period ended at least 60 days prior to the closing date was not greater than 6.6:1 (with the total amount of funded consolidated debt of Serena and its subsidiaries on the closing date being adjusted up or down proportionately if such ratio for such period would be less than or would exceed, as the case may be, 6.6:1 prior to giving effect to any such adjustment; provided that unless the arrangers otherwise agree, any such downward adjustments shall be applied proportionately (based on the principal amounts thereof) to the senior secured term loan facility, on the one hand, and the senior subordinated bridge loan facility or unsecured senior subordinated notes (as applicable), on the other hand); and

to the extent then due and payable and invoiced reasonably in advance, all accrued fees and expenses, including the reasonable fees and expenses of counsel to the arrangers, of the arrangers in connection with the credit documents shall have been paid.

The commitments under the debt commitment letter will terminate on the earliest to occur of (a) April 30, 2006, if the definitive financing documents have not been executed and delivered prior to that date, (b) the date of the termination of the merger agreement in accordance with its terms, (c) the date of the effectiveness of the definitive financing documents and (d) the consummation of the merger with or without the funding of the senior secured credit facilities and the senior subordinated bridge loan facility.

Since the final terms of the senior secured credit facilities and senior subordinated bridge loan facility have not been agreed upon, the final terms and amounts may differ from those set forth above and below and, in certain cases, such differences may be significant. Serena does not intend to update or otherwise revise any of the terms of the financing included in this proxy statement to reflect circumstances existing after the date when such statements were made or to reflect the occurrence of future events even in the event that any of the statements regarding the financing arrangements are shown to be in error or otherwise no longer appropriate.

There are no plans to repay the loans under the senior secured facilities or the unsecured senior subordinated notes. However, if the senior subordinated bridge loan facility is made available, it is contemplated that it will be paid off through the issuance of the unsecured senior subordinated notes.

Senior Secured Credit Facilities

General. The borrower under the senior secured credit facilities will be Spyglass Merger Corp., initially, and following completion of the merger will be Serena. The senior secured term credit facility will provide for a loan in the amount of $375.0 million, and is expected to have a term of seven years from the closing of the merger and amortize at a rate of 1.00% per year on a quarterly basis for the first six and three-quarters years after the closing date, with the balance paid at maturity. The senior secured revolving credit facility will provide for loans in an aggregate amount of up to $75.0 million, which will include a letter of credit subfacility and a swing line facility, and is expected to have a term of six years from the closing of the merger. Proceeds of the senior secured term credit facility will be used, together with the other sources of funds described in this section of the proxy statement, to finance the merger, to repay indebtedness of Serena and to pay fees and expenses incurred in connection with the merger. Proceeds of the senior secured revolving credit facility will be used for working capital and general corporate purposes of the borrower and its subsidiaries.

Interest Rates and Fees. The loans under the senior secured credit facilities are expected, at the option of the borrower, to bear interest at the following:

a rate equal to the London Interbank Offer Rate, or LIBOR, plus an applicable margin of 2.25% if the senior secured credit facilities receive ratings of B1 (stable) or higher and B+ (stable) or higher from Moody s and S&P, respectively, and otherwise, of 2.50%; or

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the alternate base rate, which will be the higher of (a) the corporate base rate of interest announced by the administrative agent and (b) the Federal Funds rate plus 0.50%, in each case plus an applicable margin of 1.25, if the senior secured credit facilities receive ratings of B1 (stable) or higher and B+ (stable) or higher from Moody s and S&P, respectively, and otherwise, 1.50%.

The revolving credit facility is expected to bear an annual commitment fee of 0.50% on the undrawn portion of that facility commencing on the date of execution and delivery of the credit agreement.

After the borrower s delivery of financial statements and a computation of the maximum ratio of total debt to the trailing four quarters of earnings before interest, taxes, depreciation and amortization, or total leverage ratio, for the first full quarter ending after the closing date of the merger, the applicable margins and the commitment fee will be subject to a grid based on the most recent total leverage ratio to be negotiated between Spyglass Merger Corp. and the lenders.

Prepayments. At the option of the borrower (1) amounts outstanding under the senior secured term credit facility may be voluntarily prepaid and (2) the unutilized portion of the commitments under the senior secured revolving credit facility may be reduced and loans under such facility may be voluntarily repaid, subject to requirements as to minimum amounts and multiples, at any time in whole or in part without premium or penalty, except that any prepayment of LIBOR rate advances other than at the end of the applicable interest periods will be made with reimbursement for any funding losses or redeployment costs of the lenders resulting from the prepayment. Loans under the senior secured term credit facility and under any incremental term loan facility are expected to be subject to mandatory prepayment with (a) 50% of annual excess cash flow with certain step downs, (b) 100% of net cash proceeds of asset sales and other asset dispositions by the borrower or any of its subsidiaries, subject to various reinvestment rights of borrower and other exceptions, and (c) 100% of the net cash proceeds of the issuance or incurrence of debt by the borrower or any of its subsidiaries, subject to various exceptions.

Guarantors. All obligations under the senior secured credit facilities are expected to be guaranteed by the borrower and each existing and future direct and indirect subsidiary of the borrower, other than foreign subsidiaries.

Security. All obligations of the borrower and each guarantor under the senior secured credit facilities are expected to be secured by the following:

a perfected lien on, and pledge of, (a) the capital stock and intercompany notes of each existing and future direct and indirect domestic subsidiary of the borrower, (b) all the intercompany notes of the borrower and (c) 65% of the capital stock of each existing and future direct and indirect first-tier foreign subsidiary owned by the borrower or any guarantor; and

a perfected first priority lien, subject to agreed upon exceptions, on, and security interest in, substantially all of the tangible and intangible properties and assets of the borrower and each guarantor.

Covenants, Representations and Warranties. The senior secured credit facilities are expected to contain customary representations and warranties and customary affirmative and negative covenants, including, among other things, restrictions on indebtedness, investments, sales of assets, mergers and acquisitions, liens and dividends and other distributions. There are not expected to be any financial covenants included in the senior secured credit facilities, except an interest coverage ratio and a total leverage ratio.

Events of Default. Events of default under the senior secured credit facilities are expected to include, among others, nonpayment of principal or interest, covenant defaults, a material inaccuracy of representations or warranties, bankruptcy and insolvency events, cross-defaults and a change of control.

Bridge Loan Facility

General. Unless the expected offering of $225.0 million of unsecured senior subordinated notes by the borrower as described below under Unsecured Senior Subordinated Notes Offering is not consummated at

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the time the merger is completed, up to $225.0 million of the senior subordinated bridge loan facility will be drawn by the borrower concurrently with the completion of the merger, and will be used, together with the other source of funds described in this section of the proxy statement, to finance the merger, to repay indebtedness of Serena and to pay fees and expenses incurred in connection with the merger. The bridge loan is expected to mature 12 months from the date of the making of the bridge loan, which we refer to as the initial maturity date. However, if on the initial maturity date certain specified defaults do not exist, the bridge loan is expected to convert, at the option of each lender, into (a) unsecured senior subordinated loans, or rollover loans, with a maturity date of nine years from the initial maturity date, or (b) unsecured senior subordinated debt securities, or rollover securities, with a maturity date nine years from the initial maturity date, provided that such rollover securities will not be issued until the borrower receives requests to issue at least $25.0 million in aggregate principal amount of such securities. At the time of this exchange, the lender is required to pay all accrued and unpaid interest on the bridge loan.

Interest Rate. The borrowing under the senior subordinated bridge loan facility is expected to bear interest at a rate per annum expressed as a spread over, at borrower s option, one-month or three-month LIBOR, as adjusted every one or three months, as applicable, and adjusted for all applicable reserve requirements. Interest is capped at 12.25% per annum, or 12.50% per annum if the bridge loan is rated CCC+ or lower by S&P or Caa1 or lower by Moody s, with any interest in excess of 12.00% being payable at the option of the borrower in the form of additional bridge loans, exclusive of any additional interest payable due to an event of default.

If the bridge loans are converted to rollover loans or rollover securities, other than fixed rate rollover securities as described below, such rollover loans or rollover securities are expected to accrue interest at a rate equal to the interest rate borne by the bridge loan on the day immediately preceding the initial maturity date plus 0.5% and will increase by 0.5% three months following the initial maturity date and each subsequent three-month period thereafter. Interest is capped at 12.25% per annum or 12.50% per annum if such loan is rated CCC+ or lower by S&P or Caa1 or lower by Moody s.

Each holder of rollover loans or rollover securities is expected to have the right, upon any sale to a third party, to fix the interest rate on the rollover security or to exchange the rollover loan for a fixed rate rollover security at a rate not higher than the then applicable rate of interest as described above. We refer to this fixed rate security as a fixed rate rollover security.

Prepayments and Redemptions. Prior to the initial maturity date, to the extent not prohibited by the senior secured credit facilities, the bridge loans will be required to be prepaid upon receipt by the borrower or any of its subsidiaries of the net cash proceeds from (a) various asset dispositions, (b) various debt incurrences and (c) various equity issuances. Voluntary prepayments of amounts outstanding under the senior subordinated bridge loan facility may be made at any time, upon proper notice, in whole or in part without premium or penalty, except for breakage costs discussed below. To the extent the bridge loan is converted to rollover securities or rollover loans, following compliance with the senior secured credit facilities, the borrower is expected to be required to make offers to repay or repurchase, as applicable, such rollover loans or rollover securities upon the receipt by the borrower or any of its subsidiaries after the initial maturity date of net cash proceeds from certain asset dispositions.

The rollover loans and rollover securities will be optionally redeemable or repayable, subject to certain provisions for fixed rate rollover securities. Except as described in the immediately following sentence, each fixed rate rollover security is expected to be non-callable for five years after the closing date, subject to a customary 35% clawback provision with the proceeds of equity offerings, and is expected to be callable after such five-year anniversary at par plus accrued interest plus a premium equal to one-half the interest rate in effect on the date of sale of the fixed rate rollover security, which premium is expected to decline ratably on each anniversary of the initial maturity date to zero two years before the maturity of the fixed rate rollover security. Any fixed rate rollover security is expected to be callable prior to the fifth anniversary of the closing date at a redemption premium equal to par plus accrued interest plus a make whole premium calculated using a discount rate equal to the then effective treasury rate plus 0.50%.

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Upon the occurrence of a change of control, the borrower will be required to repay or repurchase, as applicable, the entire aggregate principle amount of the rollover loans and rollover securities in cash for 100% of the principal amount of such loans, or 101% in the case of fixed rate rollover securities, in each case plus accrued and unpaid interest. Any voluntary or mandatory prepayment of the bridge loan, rollover loans or rollover securities bearing interest based on LIBOR rate advances other than at the end of the applicable interest periods will be made with reimbursement for any funding losses or redeployment costs of the lenders resulting from the prepayment.

Guarantors. Each of the guarantors under the senior secured credit facilities will guarantee all obligations under the senior subordinated bridge loan facility on an unsecured senior subordinated basis.

Unsecured Senior Subordinated Notes Offering

Either Spyglass Merger Corp. or Serena is expected to issue new unsecured senior subordinated notes yielding gross proceeds of $225.0 million that will be used, together with the other sources of funds described in this section of the proxy statement, to finance the merger, to repay indebtedness of Serena and to pay fees, commissions and expenses incurred in connection with the merger. The notes are expected to be offered to qualified institutional buyers, as defined in Rule 144A under the Securities Act and to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. As a result, the notes are not expected to be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The debt commitment letter, which is described above under Debt Commitment Letter, provides for a $225.0 million senior subordinated bridge loan facility that will be available in the event that the contemplated offering of unsecured senior subordinated notes does not take place at the time the merger is completed.

Although the interest rate, interest payment dates, maturity and other material terms of the unsecured senior subordinated notes have not been finalized, we expect that the unsecured senior subordinated notes will have terms customary for unsecured senior subordinated note offerings of issuers similar to the borrower, including customary closing conditions.

Interests of the Company s Directors and Executive Officers in the Merger

In considering the recommendations of the special committee and the board of directors, you should be aware that certain of our directors and executive officers have interests in the transaction that are different from, and/or in addition to, the interests of Serena stockholders generally. As a result of these differing interests, the board of directors appointed the special committee to represent the interests of our unaffiliated stockholders. The members of the special committee are not officers or employees of Serena and will not have an economic interest in Serena following the merger. The members of the special committee evaluated and negotiated the merger agreement and evaluated whether the merger is in the best interests of Serena s unaffiliated stockholders. The members of the special committee were aware of these differing interests and considered them, among other matters, in evaluating and negotiating the merger agreement and the merger and in recommending to the stockholders that the merger agreement be adopted.

Positions with the Surviving Corporation

Douglas D. Troxel, our founder, Chairman of the Board and Chief Technology Officer, and Mark E. Woodward, our President and Chief Executive Officer and one of our directors, will serve as directors of the surviving corporation. The service of our directors other than Mr. Troxel

and Mr. Woodward will end on the completion of the merger. Mr. Woodward will serve as Chief Executive Officer and President of the surviving corporation. Robert I. Pender, Jr., our current Chief Financial Officer and Senior Vice President, Finance and Administration and one of our directors, will serve as Chief Financial Officer and Senior Vice President, Finance and Administration, but not as a director, of the surviving corporation. Following the merger, we expect that most of our other current executive officers will continue as executive officers of the surviving corporation, although

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Mr. Troxel will no longer serve as Chief Technology Officer. Mr. Woodward and Mr. Pender will enter into employment and related agreements with the surviving corporation and will receive new incentive equity grants in the surviving corporation, effective upon completion of the merger, the terms of which are described below under Other Agreements Management Agreements. We do not anticipate that our other executive officers who will continue as executive officers of the surviving corporation in the merger will enter into new employment agreements with us and we do not anticipate that the salaries or cash incentive compensation of such other executive officers will change in connection with the merger. We expect that Messrs. Woodward and Pender and the other management participants, other than Mr. Troxel, will enter into definitive agreements in connection with their equity investments in the surviving corporation and equity incentive grants following the merger as described below.

Investments in the Surviving Corporation

Pursuant to the contribution and voting agreement, the Troxel Trust will contribute 7,518,483 shares of Serena common stock to Spyglass Merger Corp. in exchange for 30,825,780 shares of common stock of Spyglass Merger Corp., which will be converted at the time of the merger into 30,825,780 shares of common stock of the surviving corporation. The other shares of Serena common stock that may be deemed to be beneficially owned by Douglas D. Troxel are to be treated under the merger agreement in the same manner as all other shares of our common stock held by stockholders generally. For purposes of determining the number of shares of common stock of Spyglass Merger Corp. received by the Troxel Trust, the shares of Serena common stock contributed by the Troxel Trust to Spyglass Merger Corp. will be valued at $20.50 per share. The equity investment agreed upon by Mr. Troxel is expected to represent beneficial ownership of approximately 31.4% of the outstanding common stock of the surviving corporation following the merger and approximately 27.0% of the fully diluted equity of the surviving corporation following the merger. The contribution and voting agreement provides that if the merger is completed the surviving corporation will pay all fees and expenses incurred by the Troxel Trust in connection with the merger. See Other Agreements Contribution and Voting Agreement.

Mr. Woodward and Mr. Pender have agreed to retain at least 66% and 60%, respectively, of the aggregate value of their existing equity interests in Serena after completion of the merger. This equity investment will consist of the contribution by them of a portion of the shares of Serena restricted common stock beneficially owned by them to Spyglass Merger Corp. in exchange for shares of common stock of Spyglass Merger Corp., which restricted shares will convert into restricted shares of Serena upon completion of the merger, and the retention of a portion of their existing options to acquire Serena common stock, which options will be amended and remain outstanding after the merger. The shares of Serena common stock to be contributed by Messrs. Woodward and Pender will be comprised of a portion of the restricted shares granted to them in June 2005. For purposes of satisfying this minimum equity investment obligation, each share of Serena common stock will be valued at $24.00 per share and each option to acquire shares of Serena common stock will be valued by the amount, if any, by which $24.00 exceeds the exercise price of such option. The number of shares of Spyglass Merger Corp. common stock that will be issued in exchange for the shares of Serena common stock contributed to Spyglass Merger Corp. by Messrs. Woodward and Pender will be equal to the aggregate value of the shares of Serena common stock they contribute to Spyglass Merger Corp. divided by $5.00, which is the price per share being paid by the Silver Lake investors for shares of common stock of Spyglass Merger Corp. in connection with the financing of the merger. With respect to any such retained options to acquire Serena common stock that are amended prior to completion of the merger, the exercise price and the number of shares of Serena common stock that may be acquired with such options will be adjusted such that the aggregate spread value of such option after completion of the merger is the same as its aggregate spread value prior to the merger. For these purposes, the spread value of an option to acquire one share of our common stock prior to the merger is the amount, if any, by which $24.00 exceeds the exercise price of the option and after completion of the merger is the difference between $5.00, which is the price being paid by the Silver Lake investors for shares of common stock of Spyglass Merger Corp. in connection with the financing of the merger, and $1.25, which will be the new exercise price of such options. Each of Messrs. Woodward and Pender will make a determination prior to the completion of the merger regarding the allocation of this equity investment between their existing shares of

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Serena restricted common stock and options to acquire Serena common stock. In connection with this equity investment, each of Messrs. Woodward and Pender is expected to be granted following completion of the merger additional options to acquire shares of Serena common stock, which options will be subject to time-based and performance-based vesting requirements. After completion of such grants and the merger, Mr. Woodward is expected to beneficially own 1.6% of the outstanding common stock of the surviving corporation and to hold equity interests, including restricted shares and stock options subject to vesting requirements, equal to 4.4% of the fully diluted equity of the surviving corporation and Mr. Pender is expected to beneficially own 0.9% of the outstanding common stock of the surviving corporation and to hold equity interests, including restricted shares and stock options subject to vesting requirements, equal to 2.5% of the fully diluted equity of the surviving corporation.

Prior to completion of the merger, certain other members of our senior management are expected to be provided with the opportunity to retain a portion of their existing equity interests in Serena after completion of the merger. Each of these members of senior management is expected to be able to make this equity investment through either or both of the following, at his or her option:

- the acquisition of shares of Serena upon completion of the merger for cash or the assignment to Spyglass Merger Corp. of the cash proceeds to be received in the merger by such members for shares of Serena common stock they currently hold; and

- the retention of their existing options to acquire Serena common stock, which options would be amended and remain outstanding after the merger.

With respect to any such options to acquire Serena common stock that are amended prior to completion of the merger, the exercise price and the number of shares of Serena common stock that may be acquired with such options will be adjusted such that the aggregate spread value of such option after completion of the merger is the same as its aggregate spread value prior to the merger. For these purposes, the spread value of an option to acquire one share of our common stock prior to the merger is the amount, if any, by which $24.00 exceeds the exercise price of the option and after completion of the merger is the difference between $5.00, which is the price being paid by the Silver Lake investors for shares of common stock of Spyglass Merger Corp. in connection with the financing of the merger, and $1.25, which will be the new exercise price of such options. Regardless of whether these members of our senior management decide to retain a portion of their existing equity interests in Serena after completion of the merger, they are expected after completion of the merger to receive grants of stock options pursuant to a new equity incentive plan that will be adopted by Serena, which options will be subject to time-based and/or performance-based vesting requirements and will have an exercise price equal to the fair market value of the common stock at the time of such grants as determined by our board. In addition, in the event that such members agree to retain a portion of their equity interests in Serena after completion of the merger that is at least equal to targeted amounts that will be communicated to such members prior to the merger, such members would be granted additional options to acquire common stock of Serena after completion of the merger, which options also will be subject to time-based and/or performance-based vesting requirements and will have an exercise price equal to the fair market value of the common stock at the time of such grants as determined by our board.

The actual percentage ownership of our executive officers and directors in the surviving company will not be known until shortly before the closing of the merger. Assuming each of the management participants intends to make an investment in Serena equity interests after completion of the merger that is equal to the currently anticipated targeted amount for such participant and each of the management participants receives a grant of the expected number of new options after completion of the merger pursuant to the new equity incentive plan, the aggregate equity investment of the management participants, excluding Messrs. Troxel, Woodward and Pender, after completion of the merger would represent beneficial ownership of 1.0% of the outstanding common stock of the surviving corporation and 7.1% of the fully diluted equity of the surviving corporation, including equity investments by Carl Theobald, our Senior Vice President, Research and Development, representing beneficial ownership of 0.2% of the outstanding common stock of the surviving corporation, and 0.8% of the fully diluted

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equity of the surviving corporation and by Matthew DiMaria, our Vice President, Marketing, representing beneficial ownership of 0.0% of the outstanding common stock of the surviving corporation and 0.4% of the fully diluted equity of the surviving corporation. A substantial portion of such equity investments are expected to consist of options to acquire common stock that will be subject to time-based and/or performance-based vesting requirements.

As a result of the investments in the surviving corporation by the management participants described above, the management participants will continue to have an ownership interest in the surviving corporation and to bear the rewards and risks of such ownership. The management participants equity investments in the surviving corporation will be illiquid and subject to stockholders agreements that will impose restrictions upon their ability to sell or otherwise transfer their equity interests. The terms of the agreed-upon investment by Messrs. Woodward and Pender are set forth in management agreements with the Silver Lake investors. See Other Agreements Management Agreements.

Stockholders Agreement

The contribution and voting agreement provides that Spyglass Merger Corp., the Silver Lake investors, Douglas D. Troxel and the Troxel Trust, immediately prior to the merger, will enter into a form of stockholders agreement attached as an exhibit to the contribution and voting agreement, which stockholders agreement will be assumed by Serena as a result of the merger. Pursuant to the stockholders agreement, the Troxel Trust will have rights to designate board members or a board observer in specified circumstances immediately after the merger. In addition, pursuant to the stockholders agreement, Mr. Woodward as the Chief Executive Officer of the surviving corporation will be a member of the board of the surviving corporation immediately after the merger. The stockholders agreement also provides the Troxel Trust with certain rights to participate in certain sales by the Silver Lake investors of their shares in the surviving corporation, to cause the surviving corporation to register the Troxel Trust s shares of the surviving corporation and to purchase additional shares of the surviving corporation if the surviving corporation issues additional shares under certain circumstances. See Other Agreements Stockholders Agreement.

Restricted Stock Purchase Agreements

In completion of long term incentive grants first contemplated by the compensation committee of our board of directors in February 2005, we have entered into restricted stock purchase agreements, dated as of June 16, 2005, with each of Mr. Woodward and Mr. Pender. Pursuant to these agreements, if a merger or sale of assets occurs before the third anniversary of the date of grant, 60% of the shares will vest and the remaining 40% will vest on the fifth anniversary of the date of grant if the purchaser is an employee of Serena on such date. As a result of these agreements, upon consummation of the merger, 189,000 shares of restricted stock of Serena owned by Mr. Woodward and 96,000 shares of restricted stock of Serena owned by Mr. Pender will vest. Based on the $24.00 per share merger consideration, the aggregate value of the restricted stock of Messrs. Woodward and Pender that will vest upon consummation of the merger will be $4,536,000 and $2,304,000, respectively. As described above, Messrs. Woodward and Pender have agreed to contribute a portion of their restricted stock to Spyglass Merger Corp. Pursuant to the restricted stock purchase agreements, each of Mr. Woodward and Mr. Pender has the right to receive gross-up payments from us for excise taxes, if any, imposed under Section 4999 of the Internal Revenue Code by reason of payments or benefits made or provided to Mr. Woodward and Mr. Pender under their restricted stock purchase agreements and any other plans, programs and arrangements of Serena.

Serena Stock Options

Immediately prior to the effective time of the merger, all outstanding options for Serena common stock, including those held by our executive officers, will become fully vested and immediately exercisable. All options, other than certain options held by management participants, will automatically be cancelled immediately prior to the

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effective time of the merger (to the extent permissible under Serena stock plans) and will be converted into a right to receive an amount in cash, without interest, less applicable withholding taxes, equal to the product of the number of shares of our common stock subject to each option, as of the effective time of the merger, multiplied by the excess, if any, of $24.00 over the exercise price per share of Serena common stock subject to such option. To the extent that the applicable plans do not permit the automatic cancellation of options without the consent of the holder, holders of options will be permitted to elect to have all of their options cancelled in exchange for a right to receive an amount in cash, without interest, less applicable withholding taxes, equal to the product of the number of shares of our common stock subject to each option, as of the effective time of the merger, multiplied by the excess, if any, of $24.00 over the exercise price per share of Serena common stock subject to such option. However, in no event will the holder of stock options that are cancelled at the holder s election receive less than an aggregate of $500 in consideration for the cancellation of all of his or her options.

The table below sets forth, as of December 31, 2005, for each of Serena s directors and executive officers, (a) the number of shares subject to vested options for Serena common stock, (b) the value of such vested options, calculated by multiplying (1) the excess of $24.00 over the per share exercise price of the option by (2) the number of shares subject to the option, and without regard to deductions for income taxes and other withholding, (c) the number of additional options that will vest upon effectiveness of the merger, (d) the value of such additional options, calculated by multiplying (1) the excess of $24.00 over the per share exercise price of the option by (2) the number of shares subject to the option, and without regard to deductions for income taxes and other withholding, (e) the aggregate number of shares subject to vested options and options that will vest as a result of the merger for such person and (f) the aggregate value of all such vested options and options that will vest as a result of the merger, calculated by multiplying (1) the excess of $24.00 over the per share exercise price of the option by (2) the number of shares subject to the option, and without regard to deductions for income taxes and other withholding.

Executive Officers and Directors	Vested Options		Options that will vest as a result of the merger		Totals	
Name	Shares	Value	Shares	Value	Total Shares	Total Value
Mark E. Woodward	622,880	$ 4,285,671	355,105	$ 1,816,322	977,985	$ 6,101,994
Robert I. Pender, Jr.	419,832	3,057,020	227,294	1,171,250	647,126	4,228,270
L. Evan Ellis, Jr.	497,812	1,972,140	240,314	870,831	738,126	2,842,971
Carl Theobald	58,333	503,997	126,667	1,022,803	185,000	1,526,800
Vita A. Strimaitis	118,857	330,346	97,398	400,854	216,255	731,200
David DeWalt	40,000	245,650	27,500	153,875	67,500	399,525
Gregory G. Owens	65,156	313,640	17,344	48,400	82,500	362,040
J. Hallam Dawson	67,500	150,165	15,000	37,500	82,500	187,665
Carl Bass	17,968	54,443	34,532	96,682	52,500	151,125
Matthew DiMaria	0	0	100,000	148,000	100,000	148,000
Douglas D. Troxel	0	0	0	0	0	0

Except as provided in the following sentence, all directors and executive officers will receive cash in respect of their options in the amounts set forth above, less applicable withholding taxes. A portion of the options for common stock of Serena held by management participants will be amended prior to the completion of the merger in the manner described above in Investments with the Surviving Corporation, and will not be cashed out in the merger.

Indemnification and Insurance

For a period of six years following the effective time of the merger and to the fullest extent permitted by Delaware law, the surviving corporation will indemnify and hold harmless each of the present and former directors and officers of our company and of our subsidiaries against all claims, losses, liabilities, damages, judgments, fines and reasonable fees, costs and expenses, including attorneys fees and

disbursements, incurred in connection with any claim, action, suit proceeding or investigation arising out of or pertaining to the fact that the person is or was an

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officer or director of our company or any of our subsidiaries and will provide, subject to applicable law, advancement of expenses incurred in defending any claims, actions, suits, investigations or proceedings.

The certificate of incorporation and bylaws of the surviving corporation will contain provisions no less favorable with respect to indemnification, advancement of expenses and exculpation of the present and former directors and officers of our company and of our subsidiaries than those set forth in our current certificate of incorporation and bylaws. The indemnification provisions in the surviving corporation s certificate of incorporation and bylaws will not be amended or repealed in any manner adverse to our present or former directors and officers for a period of six years following the effective time of the merger, unless required by law.

The merger agreement requires that the surviving corporation to maintain in effect, for a period of six years after the effective time of the merger, tail directors and officers insurance policies in an amount and scope at least as favorable as our existing policies for claims arising from facts or events that occurred at or prior to the effective time, subject to a maximum annual premium of 200% of our current annual premium. If a tail policy with such terms is not available at a cost not greater than 200% of our current annual premium, the surviving corporation must obtain a policy with the greatest coverage available for a cost not exceeding 200% of the current annual premium paid by us.

The obligations described above regarding directors and officers indemnification and insurance must be assumed by any successor entity or assign of the surviving corporation as a result of any consolidation, merger or transfer of all or substantially all properties and assets.

Material U.S. Federal Income Tax Consequences

The following discusses, subject to the limitations stated below, the material U.S. federal income tax consequences of the merger to U.S. holders of our common stock whose shares of our common stock are converted into the right to receive cash in the merger (whether upon the receipt of the merger consideration or pursuant to the proper exercise of appraisal rights), as well as the material U.S. federal income tax consequences of the merger to Serena and (to the extent described below) the management participants who hold (actually or constructively) an equity interest in the surviving corporation following the merger. Non-U.S. holders of our common stock may have different tax consequences than those described below and are urged to consult their tax advisors regarding the tax treatment to them under U.S. and non-U.S. tax laws. We base this summary on the provisions of the Internal Revenue Code of 1986, or the Code, applicable current and proposed U.S. Treasury Regulations, judicial authority, and administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis.

U.S. Holders

For purposes of this discussion, we use the term U.S. holder to mean a beneficial owner of Serena common stock that is:

- a citizen or individual resident of the U.S. for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S. or any State or the District of Columbia;

a trust if it (1) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or

an estate the income of which is subject to U.S. federal income tax regardless of its source.

The U.S. federal income taxes of a partner in a partnership holding our common stock will depend on the status of the partner and the activities of the partnership. Partners in a partnership holding shares of our common stock should consult their own tax advisors.

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This discussion assumes that you hold the shares of our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all aspects of U.S. federal income tax that may be relevant to you in light of your particular circumstances, or that may apply to you if you are subject to special treatment under the U.S. federal income tax laws (including, for example, insurance companies, dealers in securities or foreign currencies, tax-exempt organizations, financial institutions, mutual funds, partnerships or other pass through entities for U.S. federal income tax purposes, non-U.S. persons, stockholders who hold shares of our common stock as part of a hedge, straddle, constructive sale or conversion transaction, stockholders who acquired their shares of our common stock through the exercise of employee stock options or other compensation arrangements or stockholders (other than the management participants, to the extent described below) who hold (actually or constructively) an equity interest in the surviving corporation after the merger). In addition, the discussion does not address any tax considerations under state, local or non-U.S. laws or U.S. federal laws other than those pertaining to the U.S. federal income tax that may apply to you. **We urge you to consult your own tax advisor to determine the particular tax consequences to you, including the application and effect of any state, local or non- U.S. income and other tax laws, of the receipt of cash in exchange for our common stock pursuant to the merger**.

The receipt of cash in the merger (whether as merger consideration or pursuant to the proper exercise of appraisal rights) by U.S. holders of our common stock will be a taxable transaction for U.S. federal income tax purposes (and may also be a taxable transaction under applicable state, local and foreign tax laws). In general, for U.S. federal income tax purposes, a U.S. holder of our common stock will recognize gain or loss equal to the difference between:

the amount of cash received in exchange for such common stock and

the U.S. holder s adjusted tax basis in such common stock.

Such gain or loss will be capital gain or loss. If the holding period in our common stock surrendered in the merger is greater than one year as of the date of the merger, the gain or loss will be long-term capital gain or loss. The deductibility of a capital loss recognized on the exchange is subject to limitations under the Code. Certain U.S. holders, including individuals, are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. If you acquired different blocks of our common stock at different times and different prices, you must calculate your gain or loss and determine your adjusted tax basis and holding period separately with respect to each block of our common stock.

Under the Code, as a U.S. holder of our common stock, you may be subject to information reporting on the cash received in the merger unless an exemption applies. Backup withholding may also apply (currently at a rate of 28%) with respect to the amount of cash received in the merger, unless you provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against your U.S. federal income tax liability, if any, provided that you furnish the required information to the Internal Revenue Service in a timely manner. Each U.S. holder should consult its own tax advisor as to the qualifications for exemption from backup withholding and the procedures for obtaining such exemption.

Serena and Management Participants

Under general U.S. federal income tax principles, the merger should not be a taxable event in which gain is recognized by Serena for U.S. federal income tax purposes. The merger will cause an ownership change of Serena for purposes of Section 382 of the Code. As a result, Serena s use of pre-merger tax net operating losses, credits and certain other tax attributes will be subject to limitations following the merger.

As described above in Special Factors Interests of the Company s Directors and Executive Officers in the Merger , certain of the management participants may acquire equity interests in Spyglass Merger Corp. by

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contributing shares of Serena common stock to Spyglass Merger Corp., certain of the management participants may acquire equity interests in the surviving corporation to the merger by paying cash or assigning to Spyglass Merger Corp. the cash proceeds to be received in the merger by such management participants for shares of Serena common stock they currently hold and certain of the management participants may own equity interests in the surviving corporation by retaining their existing Serena stock options, which will be amended and remain outstanding after the merger. The equity interests in Spyglass Merger Corp. will be converted into equity interests in Serena as the surviving corporation as a result of the merger. Certain management participants also will be receiving cash for Serena shares and stock options in connection with the merger. The U.S. federal tax treatment of these transactions may depend to a large extent on the particular facts relating to the management participant, and therefore management participants are urged to discuss their tax treatment with their own tax advisors.

Accounting Treatment

The merger is intended to be accounted for as a purchase under U.S. generally accepted accounting principles. Accordingly, it is expected that the basis of Serena in its assets and liabilities will be adjusted to fair market value on completion of the merger, including the establishment of goodwill.

Regulatory Approvals

The Hart-Scott-Rodino Antitrust Improvements Act of 1976 and related rules, or the HSR Act, provide that transactions such as the merger may not be completed until certain information has been submitted to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and specified waiting period requirements have been satisfied. Serena and Spyglass Merger Corp. have made the required filings with the Antitrust Division and the Federal Trade Commission. On December 23, 2005, the Federal Trade Commission granted early termination of the applicable waiting period under the HSR Act.

The merger may also be subject to review under the antitrust laws of foreign jurisdictions. To the extent applicable, the parties intend to file any required notifications under such foreign antitrust laws and observe any applicable waiting periods.

At any time before or after consummation of the merger, the Antitrust Division of the Department of Justice or the Federal Trade Commission, or the competition authorities of foreign governments, may, however, challenge the merger on antitrust grounds. Private parties could take antitrust action under the antitrust laws, including seeking an injunction prohibiting or delaying the merger, divestiture or damages under certain circumstances. Additionally, at any time before or after consummation of the merger, notwithstanding the expiration or termination of the applicable waiting period, any state could take action under its antitrust laws as it deems necessary or desirable in the public interest. There can be no assurance that a challenge to the merger will not be made or that, if a challenge is made, Serena and Spyglass Merger Corp. will prevail.

Under the merger agreement, we and Spyglass Merger Corp. have each agreed to use our commercially reasonable efforts to obtain all required governmental approvals in connection with the execution of the merger agreement and completion of the merger.

Except as noted above with respect to the required filings under the HSR Act and the antitrust laws of any applicable foreign jurisdiction and the filing of a certificate of merger in Delaware at or before the effective date of the merger, we are unaware of any material federal, state or foreign regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

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Fees and Expenses of the Merger

The estimated fees and expenses to be incurred in connection with the consummation of the merger and related financings and other transactions contemplated by the merger agreement are as follows:

Description	Amount
Financial advisory fees and expenses	$ 24,000,000
Legal, accounting, tax and consulting fees and expenses	12,500,000
HSR Act filing fees	280,000
SEC filing fees	90,146
Financing fees and expenses	17,700,000
Directors and officers insurance	1,100,000
Rating agency fees	522,000
Printing, proxy solicitation and mailing costs	400,000
Miscellaneous	50,000
Total	$ 56,642,146

Serena, as the surviving corporation, will be responsible for all of the fees and expenses described above if the merger is consummated. If the merger is not consummated, we would pay our own fees and expenses, which we estimate to be approximately $7.8 million. In addition, if the merger agreement is terminated under certain circumstances, we will be obligated to pay a termination fee of $35 million to Spyglass Merger Corp. or its designee. See Merger Agreement Fees and Expenses.

Litigation Related to the Merger

On November 11, 2005, an action, titled Davidco Investments v. Troxel et al., was filed in the Delaware Chancery Court naming Serena and all members of our board of directors as defendants. On November 14, 2005, a second action, titled Cavacas v. Serena Software, Inc. et al., was filed in the Superior Court of the State of California for the County of San Mateo, naming Serena and all members of our board of directors as defendants. On November 15, 2005, a third action, titled Parnes v. Troxel et al., was filed in the Delaware Chancery Court naming Serena and all members of our board of directors as defendants. In pursuing these actions, plaintiffs purport to represent stockholders of Serena who are similarly situated with the plaintiffs. Among other things, the complaints allege that our directors, in approving the proposed merger breached fiduciary duties owed to our stockholders because defendants failed to take steps to maximize the value to our public stockholders. The complaints seek class certification and certain forms of equitable relief, including enjoining the consummation of the merger. The Davidco and Parnes complaints seek damages as well. We believe that the allegations are without merit and intend to vigorously contest the actions. There can be no assurance, however, that we will be successful in our defense of these actions.

Certain Financial Projections

In September 2005, Serena provided Morgan Stanley with financial projections for fiscal years 2006 through 2008 for use by Morgan Stanley in Morgan Stanley s fairness analyses as summarized under Special Factors Opinion of Morgan Stanley & Co. Incorporated. These financial

projections were also provided to Silver Lake Partners and other private equity firms and potential strategic parties, as described in Special Factors Background of the Merger. The September 2005 projections updated financial projections that had previously been provided to Silver Lake Partners and other private equity firms in July 2005 to give effect to our financial results for the second quarter of fiscal 2006. In preparing the projections for fiscal years 2007 and 2008, Serena s management excluded approximately $6.4 million of expenses that management estimated Serena would incur as a public company, including audit-related expenses, information technology and other expenses relating to compliance with the Sarbanes-Oxley Act of 2002, and travel and related expenses of management in

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attending analyst and investor conferences and similar events. Except as described in the previous sentence, the projections do not give effect to the merger or the financing of the merger.

Initial Projections

The following is a summary of the initial projections provided by Serena to Silver Lake Partners and other private equity firms in July 2005.

	Projections		
	Fiscal 2006	Fiscal 2007	Fiscal 2008
	(In thousands)		
Revenue:			
Software license	$ 96,678	$ 104,400	$ 112,752
Maintenance (Non-GAAP) (1)	140,809	150,600	161,142
Professional services	28,725	33,000	37,805
Total revenue	266,212	288,000	311,699
Cost of revenue:			
Software license	2,853	3,132	3,382
Maintenance	14,090	13,912	14,305
Professional services	25,360	28,458	32,847
Total cost of revenue	42,303	45,502	50,534
Gross profit	223,909	242,498	261,165
Operating expenses:			
Sales and marketing	74,067	73,279	76,590
Research and development	37,424	33,518	34,474
General and administrative	20,087	16,414	16,742
Total operating expenses	131,578	123,211	127,806
Operating income	92,331	119,287	133,359
Add back: depreciation	3,133	2,900	2,900
EBITDA	$ 95,464	$ 122,187	$ 136,259

(1) Non-GAAP maintenance revenue differs from GAAP maintenance revenue because it includes the add-back of maintenance revenue written down in the Merant acquisition purchase accounting.

With respect to these initial projections, Serena management advised Silver Lake Partners that in preparing projections for fiscal 2006 through 2008, Silver Lake Partners should target an organic growth rate assumption for Serena as a whole of between 5% and 8% per year, an operating income margin assumption for Serena as a whole of between 35% and 43% per year, and an earnings before interest, taxes, depreciation and amortization, or EBITDA, margin for Serena as a whole of between 36% and 44% per year.

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Updated Projections

The following is a summary of projections that were prepared in September 2005 and provided to Morgan Stanley, Silver Lake Partners and other private equity firms and strategic parties. These summary projections updated the initial projections reflected in the table above to give effect to our financial results for the second quarter of fiscal 2006. Morgan Stanley used this information in the fairness analyses summarized under Special Factors Opinion of Morgan Stanley & Co. Incorporated. Silver Lake Partners used this information, together with its own analyses, in determining whether to invest in Serena.

	Projections (1)		
	Fiscal 2006	Fiscal 2007	Fiscal 2008
	(In thousands)		
Revenue:			
Software license	$ 90,999	$ 98,300	$ 106,164
Maintenance (Non-GAAP) (2)	137,627	147,200	157,504
Professional services	24,500	28,200	32,600
Total revenue	253,126	273,700	296,268
Cost of revenue:			
Software license	3,164	2,949	3,185
Maintenance	13,545	13,912	14,305
Professional services	22,807	24,198	28,224
Total cost of revenue	39,516	41,059	45,714
Gross profit	213,610	232,641	250,554
Operating expenses:			
Sales and marketing	71,980	72,162	75,422
Research and development	35,804	33,518	34,474
General and administrative	17,791	16,414	16,742
Total operating expenses	125,575	122,094	126,638
Operating income	88,035	110,547	123,916
Add back: depreciation	3,127	2,900	2,900
EBITDA	$ 91,162	$ 113,447	$ 126,816

(1) Represents aggregation of quarterly projections for each of the fiscal periods presented.
(2) Non-GAAP maintenance revenue differs from GAAP maintenance revenue because it includes the add-back of maintenance revenue written down in the Merant acquisition purchase accounting.

With respect to these updated projections, Serena management advised Morgan Stanley, Silver Lake Partners and other private equity firms and strategic parties that in preparing the updated projections for fiscal 2006 through 2008, they should target an organic growth rate assumption for

Serena as a whole of between 1% and 8% per year, an operating income margin assumption for Serena as a whole of between 35% and 42% per year, and an EBITDA margin for Serena as a whole of between 36% and 43% per year.

Serena does not, as a matter of course, publicly disclose projections of future revenues or earnings. The projections were not prepared with a view to public disclosure and are included in this proxy statement only because such information was made available to Silver Lake Partners and other potential acquirors in connection with their due diligence investigations of Serena and to Morgan Stanley for use by it in its fairness analyses. The projections were not prepared with a view to compliance with published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information.

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Serena s management developed the projections from financial and other information which was based in part on revenue assumptions and estimates. The projections also incorporate assumptions regarding expenses (based in part on detailed employee cost analyses) and capital expenditures. In compiling the budget information to develop the projections, Serena s management took into account growth rate and margin assumptions that were consistent with recent actual results and with current expectations in light of market conditions. These revenue assumptions and the assumptions made by Serena s management regarding growth rates and margins represent all of the material assumptions and estimates made in connection with the preparation of the projections.

In compiling the projections, Serena s management took into account historical performance, combined with estimates regarding revenues, operating income, EBITDA and capital spending. The projections were developed in a manner consistent with management s historical development of budgets and were not developed for public disclosure. Although the projections are presented with numerical specificity, these projections reflect numerous assumptions and estimates as to future events made by Serena s management that Serena s management believed were reasonable at the time the projections were prepared. In addition, factors such as industry performance and general business, economic, regulatory, market and financial conditions, all of which are difficult to predict and beyond the control of Serena may cause the projections or the underlying assumptions to be inaccurate. Accordingly, there can be no assurance that the projections will be realized, and actual results may be materially greater or less than those contained in the projections. The inclusion of this information should not be regarded as an indication that Silver Lake Partners, Morgan Stanley or any other recipient of this information considered, or now considers, it to be a reliable prediction of future results.

Serena does not intend to update or otherwise revise the projections to reflect circumstances existing after the date when made or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the projections are shown to be in error.

Provisions for Unaffiliated Stockholders

The special committee was charged with representing the interests of our unaffiliated stockholders and was actively involved in extended and numerous deliberations and negotiations regarding the merger on behalf of the unaffiliated stockholders. In this capacity, the special committee retained and received advice from Morgan Stanley and Co. Incorporated, as financial advisor, and Wilson Sonsini Goodrich & Rosati, Professional Corporation, as legal advisor, and requested and received from Morgan Stanley an opinion to the effect that, as of November 10, 2005 and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the $24.00 per share consideration to be received by holders of shares of Serena common stock pursuant to the merger agreement was fair from a financial point of view to such holders other than Douglas D. Troxel, who is exchanging a portion of his Serena common stock for common stock of Spyglass Merger Corp. Serena has agreed to pay Morgan Stanley a fee for its services of approximately $8.7 million, approximately $6.5 million of which is contingent upon the consummation of the merger. See Special Factors Background of Merger , Special Factors Reasons for the Special Committee s Recommendation and Special Factors Opinion of Morgan Stanley & Co. Incorporated. We did not make any provision in connection with the transaction to grant unaffiliated security holders access to our corporate files, and the special committee did not retain an unaffiliated representative to act solely on behalf of the unaffiliated stockholders for purposes of negotiating the terms of the going-private transaction or preparing a report concerning the fairness of the transaction.

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THE PARTIES TO THE MERGER

Serena Software, Inc.

Serena Software, Inc.

2755 Campus Drive, 3rd Floor

San Mateo, California 94403-2538

(650) 522-6600

We are a Delaware corporation with our principal executive offices at 2755 Campus Drive, 3rd Floor, San Mateo, California 94403-2539. Our telephone number is (650) 522-6600. We were incorporated in California in 1980 and reincorporated in Delaware in 1998.

We are the largest company in terms of revenue solely focused on managing change in the information technology, or IT, environment. Our products and services automate processes and control change for teams managing development, web content, and IT infrastructure. Our solutions take a cross-platform and cross-organizational view of enterprise applications, allowing customers to define, enforce and automate application lifecycle processes. Based on 25 years of innovation in process and configuration management, our SAFE (Serena s Application Framework for Enterprises) solutions enable customers at more than 15,000 sites worldwide, including 98 of the Fortune 100, to improve IT governance, mitigate risks, support regulatory compliance, and boost productivity and quality. Our principal markets are North America and Europe.

Spyglass Merger Corp.

Spyglass Merger Corp.

c/o Silver Lake Partners

2725 Sand Hill Road, Suite 150

Menlo Park, California 94025

(650) 233-8120

Spyglass Merger Corp. is a Delaware corporation that was incorporated on November 7, 2005 by Silver Lake Partners II., L.P. solely for the purpose of completing the merger and the related financings and transactions. Spyglass Merger Corp. has not participated in any activities to date other than activities incident to its formation and the transactions contemplated by the merger agreement. In connection with the merger, Spyglass Merger Corp. will be merged with and into Serena Software, Inc. and its separate existence will cease. As of the date of this proxy statement, Silver Lake Partners II, L.P. is the sole stockholder of Spyglass Merger Corp.

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CURRENT EXECUTIVE OFFICERS AND DIRECTORS OF THE COMPANY

Each of the directors and executive officers of Serena is a citizen of the United States and, except as provided below, has his or her principal business address and telephone at c/o Serena Software, Inc., 2755 Campus Drive, 3rd Floor, San Mateo, California 94403-2538, (650) 522-6600.

The directors and executive officers of Serena, the date they became director or executive officer, their current occupation and their material employment during the last five years, as of December 31, 2005, are as follows:

Name	Occupation or Employment
Douglas D. Troxel	Mr. Troxel is the founder of Serena and has served on Serena s board of directors since April 1980. He has also served as Serena s Chief Technology Officer since April 1997. From June 1980 to April 1997, Mr. Troxel served as the President and Chief Executive Officer of Serena. Mr. Troxel currently serves as a member of the Board of Directors of Penguin Computing Inc., a provider of Linux open standards hardware and software cluster solutions.
Mark E. Woodward	Mr. Woodward has served as a member of Serena s board of directors since June 2000 and as President and Chief Executive Officer since May 2000. Mr. Woodward also served as Serena s Vice President, Worldwide Operations from February 2000 to May 2000 and as Vice President, Sales from November 1998 to February 2000. From August 1997 until November 1998, Mr. Woodward was Senior Vice President, Sales for Live Picture, Inc., a developer of Internet imaging technology. From August 1995 until August 1997, Mr. Woodward was Vice President, Sales for McAfee Associates, a network management firm. From March 1989 until August 1995, Mr. Woodward was Vice President, Sales for Legent, Inc., a developer of Software Change Management products. Mr. Woodward currently serves as a member of the Board of Directors of Clear Technology, a company that provides software solutions to service organizations in the insurance, healthcare, financial services and telecommunications industries.
L. Evan Ellis, Jr.	Mr. Ellis has served as Serena s Chief Operating Officer since February 2004. From June 2001 until February 2004, Mr. Ellis served as Senior Vice President of Worldwide Operations. From November 2000 until February 2001, Mr. Ellis was Vice President, Americas Field Operations for Brocade Communications, Inc., a developer of storage area networking systems. From May 1999 to November 2000, Mr. Ellis was President and Chief Operating Officer of CyberSource Corporation, a provider of electronic payment and risk management solutions. From July 1990 until May 1999, Mr. Ellis held several executive positions including Senior Vice President, Americas Field Operations and Senior Vice President, Marketing for Silicon Graphics, Inc., a provider of high performance computing and visualization systems. From October 1978 until July 1990, Mr. Ellis held several sales and marketing management positions including Executive to the Senior Vice President, US Operations at International Business Machines, Corp., a provider of information systems solutions.
Robert I. Pender, Jr.	Mr. Pender has served as a member of Serena s board of directors since June 2000 and as Serena s Senior Vice President, Finance and Administration and Chief Financial Officer since December 1997. From December 1996 until August 1997, Mr. Pender was Vice President, Finance of Mosaix, Inc., a customer interaction software company. From April 1993 until December 1996, Mr. Pender served in a variety of positions, most recently as Chief Financial Officer, with ViewStar Corporation, a client/server workflow software company that was acquired by Mosaix, Inc. in December 1996.

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Name	Occupation or Employment
Vita A. Strimaitis	Ms. Strimaitis has served as Serena s Senior Vice President, General Counsel and Assistant Secretary since July 1997 and was appointed Corporate Secretary in November 2000. Ms. Strimaitis also served as Serena s Director of Licensing from September 1996 until July 1997. From April 1995 until February 1996, Ms. Strimaitis was Vice President and General Counsel for Financial Benefit Group, an annuity insurance company. From August 1994 until April 1995, Ms. Strimaitis was a Senior Corporate Attorney for Uniforce Staffing Services, a professional services resources company. From June 1986 until January 1993, Ms. Strimaitis was Assistant General Counsel and Corporate Secretary for Pioneer Financial Services, Inc., an insurance holding company.
Carl Theobald	Mr. Theobald has served as Serena s Senior Vice President, Research and Development since August 2004. From May 2002 to May 2004, Mr. Theobald was Vice President, Engineering for RubiconSoft, Inc., a demand management software company. From 1992 to 1994 and from 1997 to 2002, Mr. Theobald served in a variety of roles at Oracle Corporation, most recently as Vice President of CRM Product Development. From 1994 to 1997, Mr. Theobald served in a variety of roles, most recently as Senior Development Manager at Novasoft Inc., a document management and workflow software company.
Matthew DiMaria	Mr. DiMaria has served as Serena s Vice President, Marketing since February 2005. Mr. DiMaria was Senior Vice President of Marketing and Business Development for Everypath, a provider of mobile enterprise applications, from February 2001 to January 2005. From January 1998 to January 2001, Mr. DiMaria served as Vice President of Worldwide Marketing for Calico Commerce. Mr. DiMaria also served as Vice President of Americas Marketing at Symantec Corporation from March 1995 to December 1997. Mr. DiMaria served in a variety of marketing and sales positions with Ingres Corporation and Applied Data Research between 1984 and 1995.
J. Hallam Dawson	Mr. Dawson has served as a member of Serena s board of directors since December 2001. Mr. Dawson is Chairman of IDI Associates, a private Latin American investment bank. Previously, Mr. Dawson served as Executive Vice President and then President of Crocker National Bank and in various commercial lending and international banking positions at The First National Bank of Chicago. Mr. Dawson is also a Director of Autodesk, Inc., a design software and digital content company, and Chinatrust Bank (USA). Mr. Dawson s principal business address and telephone number are: 3600 Clay Street, San Francisco, California 94118, (415) 922-5693.
Gregory J. Owens	Mr. Owens has served as a member of Serena s board of directors since March 2002. Mr. Owens currently serves as a member of the Board of Directors of S1 Corp., a global provider of enterprise software solutions to financial services providers. Mr. Owens served as Chief Executive Officer of Manugistics Group, Inc., a global provider of solutions for supply chain management from 1999 to 2004 and as Chairman of the Board of Manugistics from 1999 to April 2005. Prior to joining Manugistics, Mr. Owens served as Managing Partner for Logistics and Planning, as well as Managing Partner of Global Supply Chain Management, at Andersen Consulting, which is now known as Accenture. Mr. Owens s principal business address and telephone number are: 40 Primrose Pass, Newnan, Georgia 30265, (770) 251-2649.
David DeWalt	Mr. DeWalt has served as a member of Serena s board of directors since April 2003. Mr. DeWalt currently serves as President of the Documentum Software Division and Executive Vice President of EMC Corporation, a provider of products, services and solutions for information storage and management. Mr. DeWalt served as President

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Name	Occupation or Employment
	and CEO of Documentum before EMC acquired the company in 2003. Prior to joining Documentum, Mr. DeWalt was Founding Principal and Vice President of Eventus Software, a web content software company. Following the 1998 acquisition of Eventus by Segue Software Mr. DeWalt served as Segue s Vice President of North American Sales. Before Eventus, Mr. DeWalt was Vice President of Sales and Marketing at Quest Software, a provider of performance management solutions. Prior to that, Mr. DeWalt held various positions in sales management with Oracle Corporation. Mr. DeWalt s principal business address and telephone number are: 6801 Koll Center Parkway, Pleasanton, California 94566, (925) 600-6800.
Carl Bass	Mr. Bass has served as a member of Serena s Board of Directors since January 2004. Mr. Bass currently serves as Chief Operating Officer of Autodesk, Inc., a design software and digital content company. Mr. Bass also currently serves as a director of Powerlight Corporation, a designer and installer of grid-connected solar electric systems and energy efficiency services. Previously, Mr. Bass served as Autodesk s Senior Executive Vice President of the Design Solutions Group, and Chief Strategy Officer and Executive Vice President of Emerging Business. Prior to Autodesk s acquisition of Buzzsaw, Mr. Bass was Buzzsaw s Chairman, Chief Executive Officer and President. Prior to joining Autodesk, Mr. Bass co-founded Ithaca Software, the developers of HOOPS, which was acquired by Autodesk in 1994. Mr. Bass s principal business address and telephone number are: 111 McInnis Parkway, San Rafael, California 94903, (415) 507-5000.

During the past five years, none of Serena or our executive officers, directors or controlling persons have been convicted in a criminal proceeding (other than traffic violations or similar misdemeanors) or been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree, or final order enjoining that person or entity from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

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CURRENT EXECUTIVE OFFICERS AND DIRECTORS OF SPYGLASS MERGER CORP.

Each of the directors and executive officers of Spyglass Merger Corp. is a citizen of the United States and has his or her principal business address and telephone at c/o Silver Lake Partners, 2725 Sand Hill Road, Suite 150, Menlo Park, CA 94025, (650) 233-8120.

The directors and executive officers of Spyglass Merger Corp., the date they became director or executive officer, their current occupation and their material employment during the last five years, as of December 31, 2005, are as follows:

Name	Occupation or Employment
David Roux	Mr. Roux has served as a director of Spyglass Merger Corp. since November 7, 2005. Mr. Roux is a Managing Director of Silver Lake Partners, which he co-founded in January 1999. From February 1998 to November 1998, Mr. Roux served as the Chief Executive Officer and President of Liberate Technologies, a software platform provider. From September 1994 to December 1998, Mr. Roux held various management positions with Oracle Corporation, a systems and applications software provider, most recently as Executive Vice President of Corporate Development.
Hollie Moore	Ms. Moore has served as President of Spyglass Merger Corp. since November 8, 2005. Ms. Moore is a Director of Silver Lake Partners, which she joined in August 1999. Prior to joining Silver Lake Partners, Ms. Moore was a principal at Hellman & Friedman L.L.C. Previously, Ms. Moore worked as an investment banker in the Mergers and Acquisitions Department at Morgan Stanley & Co.
Todd Morgenfeld	Mr. Morgenfeld has served as Vice President, Treasurer and Assistant Secretary of Spyglass Merger Corp. since November 8, 2005. Mr. Morgenfeld is a Principal of Silver Lake Partners, which he joined in May 2004. Prior to joining Silver Lake Partners, Mr. Morgenfeld was an investment banker in the Technology, Media and Telecommunications group at Goldman, Sachs & Co. from July 2001 to May 2004.
Alan Austin	Mr. Austin has served as Vice President, Secretary and Assistant Treasurer of Spyglass Merger Corp. since November 8, 2005. Mr. Austin is a Managing Director and the Chief Operating Officer of Silver Lake Partners, which he joined in April 2003. Prior to joining Silver Lake Partners, Mr. Austin was General Partner and Chief Operating Officer of Accel Partners. Previously, Mr. Austin was a member of the law firm of Wilson Sonsini Goodrich & Rosati for 13 years and served as the managing Partner from 1995 to 2000.

During the past five years, none of Spyglass Merger Corp. or its executive officers, directors or controlling persons have been convicted in a criminal proceeding (other than traffic violations or similar misdemeanors) or been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree, or final order enjoining that person or entity from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

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OTHER PARTICIPANTS

Silver Lake Partners II, L.P.

c/o Silver Lake Partners

2725 Sand Hill Road, Suite 150

Menlo Park, California 94025

(650) 233-8120

Silver Lake Partners II, L.P. is a Delaware limited partnership and its principal business is that of an investment limited partnership. Silver Lake Partners II, L.P. was formed in the state of Delaware on June 24, 2003 by Silver Lake Partners, a private equity firm focused primarily on investments in companies in technology and related growth industries. Silver Lake Partners II, L.P. previously has invested in companies such as SunGard Data Systems Inc. and Instinet, Inc. Silver Lake Technology Associates II, L.L.C. is the general partner of Silver Lake Partners II, L.P. Silver Lake Technology Associates II, L.L.C. is a Delaware limited liability company and its principal business is to serve as the general partner of Silver Lake Partners II, L.P. Silver Lake Technology Associates II, L.L.C. has its principal business address and telephone number at c/o Silver Lake Partners, 2725 Sand Hill Road, Suite 150, Menlo Park, California 94025, (650) 233-8120.

The managing members of Silver Lake Technology Associates II, L.L.C. are Alan Austin, James Davidson, Glenn Hutchins, John Joyce and David Roux. Each of the managing members of Silver Lake Technology Associates II, L.L.C. is a citizen of the United States. Alan Austin, James Davidson and David Roux have their principal business address and telephone number at c/o Silver Lake Partners, 2725 Sand Hill Road, Suite 150, Menlo Park, CA 94025, (650) 233-8120. Glenn Hutchins and John Joyce have their principal business address and telephone number at c/o Silver Lake Partners, 9 West 57th Street, 25th Floor, New York, NY 10019, (212) 981-5600.

The current principal occupation and material employment of the managing members of Silver Lake Technology Associates II, L.L.C. who are not directors or executive officers of Spyglass Merger Corp. for the last five years as of December 31, 2005 are as follows:

Name	Occupation or Employment
James Davidson	Mr. Davidson is a Managing Director of Silver Lake Partners, which he co-founded in 1999. From June 1990 to November 1998, Mr. Davidson was an investment banker with Hambrecht & Quist LLC, most recently serving as a Managing Director and Head of Technology Investment Banking.
Glenn Hutchins	Mr. Hutchins is a Managing Director of Silver Lake Partners, which he co-founded in January 1999. From 1994 to 1999, Mr. Hutchins was a Senior Managing Director of The Blackstone Group, where he focused on private equity investing.
John Joyce	Mr. Joyce is a Managing Director of Silver Lake Partners, which he joined in 2005. Prior to joining Silver Lake, Mr. Joyce was the Senior Vice President and Group Executive of the IBM Global Services (IGS) division; in 1999 Mr. Joyce became IBM s Chief Financial Officer. Prior to 1999, Mr. Joyce was President of IBM Asia Pacific. In addition

he also served as Vice President and Controller for IBM s global operations.

The principal occupation and material employment of the managing members of Silver Lake Technology Associates II, L.L.C. who are directors or executive officers of Spyglass Merger Corp. are set forth in the section of this proxy statement titled Current Executive Officers and Directors of Spyglass Merger Corp.

During the past five years, none of Silver Lake Partners II, L.P. or Silver Lake Technology Associates II, L.L.C. or any of its managing members have been convicted in a criminal proceeding (other than traffic violations or similar misdemeanors) or been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining that person or entity from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

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THE SPECIAL MEETING

Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by our board of directors for use at the special meeting to be held on , 2006 beginning at Pacific Time, at . The purpose of the special meeting is for our stockholders to consider and vote upon a proposal to adopt the merger agreement, to adjourn the meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement and to act on other matters and transact other business, as may properly come before the meeting. A copy of the merger agreement is attached to this proxy statement as Annex A. This proxy statement, the notice of the special meeting and the enclosed form of proxy are first being mailed to our stockholders on or about , 2006.

Record Date, Quorum and Voting Power

The holders of record of Serena s common stock at the close of business on , 2006, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. As of the record date, there were shares of our common stock issued and outstanding, all of which are entitled to be voted at the special meeting.

Each outstanding share of our common stock on the record date entitles the holder to one vote on each matter submitted to stockholders for a vote at the special meeting.

The holders of a majority of the outstanding common stock on the record date, represented in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Once a share is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting and any adjournment of the special meeting. However, if a new record date is set for the adjourned special meeting, then a new quorum will have to be established.

Required Vote

For us to complete the merger, stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote FOR the adoption of the merger agreement. The approval of at least a majority of our unaffiliated stockholders is not required to approve the merger agreement. The proposal to adjourn the meeting, if necessary, to solicit additional proxies requires the affirmative vote of a majority of the shares present and entitled to vote at the meeting if a quorum is not present or the holders of a majority of the stock having the power to vote in person or be represented by proxy at such special meeting if a quorum is present.

In order for your shares of our common stock to be included in the vote, if you are a stockholder of record, you must cause your shares to be voted by returning the enclosed proxy, by submitting a proxy over the Internet or by telephone, as indicated on the proxy card, or by voting in person at the special meeting.

If your shares are held in street name by your broker, you should instruct your broker how to vote your shares using the instructions provided by your broker. If you have not received such voting instructions or require further information regarding such voting instructions, contact your broker and it can give you directions on how to vote your shares. A broker non-vote generally occurs when a broker, bank or other nominee holding shares on your behalf does not vote on a proposal because the nominee has not received your voting instructions and lacks discretionary power to vote the shares. Broker non-votes and abstentions will not count as votes cast on a proposal, but will count for the purpose of determining whether a quorum is present.

Broker non-votes and abstentions will have the same effect as a vote against the adoption of the merger agreement. Abstentions will also have the same effect as a vote against the adjournment of the meeting. Broker

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non-votes will have the same effect as a vote against the adjournment if a quorum is not present. However, if there is a quorum, broker non-votes will not have an effect on the vote with respect to the adjournment.

Voting by Directors and Executive Officers

As of , 2006, the record date, the directors and executive officers of Serena held and are entitled to vote, in the aggregate, shares of our common stock, representing approximately % of the outstanding shares of our common stock. Pursuant to the terms of the contribution and voting agreement described elsewhere in this proxy statement, Douglas D. Troxel, who is the Chairman of our board of directors and Chief Technology Officer, and the Troxel Trust each have agreed to vote or consent, or cause to be voted or consented, all shares of our common stock that he or it beneficially owns or controls in favor of adopting the merger agreement. As of the record date for the special meeting, Mr. Troxel and the Troxel Trust collectively may be deemed to beneficially own shares of our common stock representing approximately % of the outstanding shares of our common stock. In addition to the shares Mr. Troxel and the Troxel Trust have agreed to vote in favor of adoption of the merger agreement pursuant to the contribution and voting agreement, the affirmative vote of holders of our common stock representing at least shares of our common stock, or % of the outstanding shares of our common stock, will be required to adopt the merger agreement. The other directors and executive officers, including the management participants, of Serena have informed us that they intend to vote all of their shares of our common stock FOR the adoption of the merger agreement.

Proxies; Revocation

If you submit a signed proxy, or submit a proxy over the Internet or by telephone as indicated on the proxy card, your shares will be voted at the special meeting in accordance with the instructions given. If no instructions are indicated on your signed proxy card, your shares will be voted FOR the adoption of the merger agreement and FOR adjournment of the meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement, and in accordance with their judgment on any other matters properly brought before the meeting for a vote.

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must either advise our Corporate Secretary in writing, deliver a new proxy or submit another proxy over the Internet or by telephone, in each case dated after the date of the proxy you wish to revoke, or attend the special meeting and vote your shares in person. Attendance at the special meeting will not by itself constitute revocation of a proxy.

If you have instructed your broker to vote your shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by your broker to change these instructions.

Serena does not expect that any matter other than the proposal to adopt the merger agreement will be brought before the special meeting. If, however, an adjournment of the special meeting is necessary or if another matter is properly presented at the special meeting or any adjournment or postponement of the special meeting, the persons appointed as proxies will vote the shares in accordance with their judgment.

Proxy Solicitation; Expenses of Proxy Solicitation

Serena will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, directors, officers and employees of Serena may solicit proxies personally and by telephone, facsimile, Internet or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. In addition, D.F. King & Co., Inc. will provide solicitation services to us for a fee of approximately $50,000 plus out-of-pocket expenses. Serena will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

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Adjournments

Any adjournment may be made without notice by an announcement made at the special meeting by the chairman of the meeting, subject to applicable law. If persons named as proxies by you are asked to vote for one or more adjournments of the meeting for matters incidental to the conduct of the meeting, such persons will have the authority to vote in their discretion on such matters. However, if persons named as proxies by you are asked to vote for one or more adjournments of the meeting to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement, such persons will only have the authority to vote on such matter as instructed by you or your proxy, or, if no instructions are provided on your signed proxy card, in favor of such adjournment. Any adjournment of the special meeting for the purpose of soliciting additional proxies will allow Serena stockholders who have already sent in their proxies to revoke them at any time prior to their use.

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THE MERGER AGREEMENT (PROPOSAL NO. 1)

The summary of the material terms of the merger agreement below and elsewhere in this proxy statement may not contain all of the information about the merger agreement that is important to you. We encourage you to read carefully the merger agreement in its entirety, a copy of which is attached to this proxy statement as Annex A and which is incorporated by reference.

Effective Time

The effective time of the merger will occur at the time that we file a certificate of merger with the Secretary of State of the State of Delaware (or at such later time as is specified in the certificate of merger) on the closing date of the merger. The closing date will occur (1) no later than the second business day after the conditions of the parties respective obligations pursuant to the merger agreement have been met or waived, or (2) such other date as the parties may agree.

Structure

At the effective time of the merger, Spyglass Merger Corp. will merge with and into Serena. Upon completion of the merger, Spyglass Merger Corp. will cease to exist as a separate entity and Serena will continue as the surviving corporation. All of Serena s and Spyglass Merger Corp. s properties, interests, rights, privileges, powers and franchises, and all of their restrictions, disabilities, duties, debts and liabilities, will become those of the surviving corporation. Following the completion of the merger, our common stock will be delisted from The NASDAQ Stock Market, is expected to be deregistered under the Securities Exchange Act of 1934 and will no longer be publicly traded.

Treatment of Stock and Options

Serena Common Stock

At the effective time of the merger, each share of our common stock issued and outstanding immediately prior to the effective time of the merger will automatically be cancelled and converted into the right to receive $24.00 in cash, without interest and less applicable withholding taxes, other than Serena common stock:

- held in Serena s treasury immediately prior to the effective time of the merger, all of which will be cancelled without any payment;
- held by Spyglass Merger Corp. or any wholly owned subsidiary of Spyglass Merger Corp. immediately prior to the effective time of the merger, all of which will be cancelled without any payment;

held by any wholly owned subsidiary of Serena (other than any employee benefit trust) immediately prior to the effective time of the merger, all of which will remain outstanding; and

as to which Serena s stockholders validly exercise and perfect appraisal rights in compliance with Delaware law, which will be subject to appraisal in accordance with Delaware law.

Serena Stock Options

Immediately prior to the effective time of the merger, all outstanding options (including those held by our executive officers) will become fully vested and immediately exercisable. All options (other than options that may be retained by the management participants, who are expected to be offered the opportunity to retain amended options) will automatically be cancelled immediately prior to the effective time of the merger (to the extent permissible under Serena stock plans) and will be converted into a right to receive an amount in cash (without interest) less applicable withholding taxes, equal to the product of:

the number of shares of our common stock subject to each option, as of the effective time of the merger, multiplied by

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the excess of $24.00 over the exercise price per share of Serena common stock subject to such option, which we refer to as the Option Consideration.

If the applicable Serena stock plan does not permit Serena to cancel outstanding options without the consent of the individual who has received the option, Serena expects to make an offer to such option holders to cancel all of their options in exchange for the Option Consideration upon the cancellation of his or her outstanding options. In no event will the holder of one or more Serena stock options that are cancelled pursuant to the foregoing paragraph receive less than an aggregate of $500 in consideration for the cancellation of all of his or her options.

To the extent an option holder does not consent to the cancellation of his or her outstanding options, Serena will cancel all of such option holder s options prior to the effective time of the merger to the extent permitted under the terms of the plan.

The stock options that the management participants elect to retain will be amended and remain outstanding in accordance with their respective terms, subject to applicable amendments. For additional information regarding the opportunity of the management participants to retain stock options, see Special Factors Interests of the Company s Directors and Executive Officers in the Merger.

No Further Ownership Rights

From and after the effective time of the merger, the holders of certificates representing shares of our common stock immediately prior to the effective time will no longer have any rights as holders of our common stock. The merger consideration paid upon surrender of each certificate will be paid in full satisfaction of all rights pertaining to the shares of our common stock represented by that certificate. Shares of our common stock for which holders properly exercise and perfect their appraisal rights under Delaware law will only be entitled to such rights as are granted by Delaware law.

Exchange and Payment Procedures

At the effective time of the merger, the surviving corporation will deposit an amount of cash sufficient to pay the merger consideration to each holder of shares of our common stock with a bank or trust company, which we refer to as the paying agent, reasonably acceptable to Spyglass Merger Corp. and us. As soon as practicable after the effective time of the merger, the paying agent will mail a letter of transmittal and instructions to you and the other Serena stockholders. The letter of transmittal and instructions will tell you how to surrender your Serena common stock certificates in exchange for the merger consideration.

You will not be entitled to receive the merger consideration until you surrender your Serena common stock certificate or certificates to the paying agent, together with a duly completed and executed letter of transmittal and any other documents as the paying agent may require. The merger consideration may be paid to a person other than the person in whose name the corresponding certificate is registered if the certificate is presented to the paying agent, accompanied by documents evidencing such transfer of ownership and the payment of transfer taxes.

No interest will be paid or will accrue on the cash payable upon surrender of the certificates. Each of the paying agent and the surviving corporation will be entitled to deduct and withhold any applicable taxes from the merger consideration and any payment made in connection with the cancellation of options and pay such withholding amount over to the appropriate taxing authority.

At the effective time of the merger, our share transfer books will be closed, and there will be no further registration of transfers of outstanding shares of our common stock. If, after the effective time of the merger, certificates are presented to the surviving corporation or the paying agent for transfer or any other reason, they will be cancelled and exchanged for the merger consideration.

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None of the paying agent, Serena, Spyglass Merger Corp. or the surviving corporation will be liable to any person for any shares or cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. Any portion of the merger consideration deposited with the paying agent that remains undistributed to the holders of certificates evidencing shares of our common stock for one year after the effective time of the merger or that relates to shares for which appraisal rights have been properly exercised, will be delivered, upon demand, to the surviving corporation. Holders of certificates who have not surrendered their certificates within one year after the effective time of the merger may only look to the surviving corporation for the payment of the merger consideration.

If you have lost a certificate, or if it has been stolen or destroyed, then you will be required to make an affidavit of that fact before you will be entitled to receive the merger consideration.

Certificate of Incorporation and Bylaws

The certificate of incorporation of the surviving corporation will be amended as of the effective time of the merger as set forth in an exhibit to the merger agreement so as to contain the provisions, and only the provisions, contained immediately prior to the effective time of the merger in the certificate of incorporation of Spyglass Merger Corp., except that the name of the surviving corporation will continue to be SERENA Software, Inc. In addition, the bylaws of Spyglass Merger Corp., as in effect immediately prior to the effective date of the merger, will be the bylaws of the surviving corporation.

Directors and Officers

The directors of Spyglass Merger Corp. immediately prior to the effective time of the merger will be the initial directors of the surviving corporation, except that, pursuant to the stockholders agreement described in Other Agreements Stockholders Agreement, Douglas D. Troxel and Mark Woodward, who will be the Chief Executive Officer of the surviving corporation, will be appointed to the board of directors of the surviving corporation. The officers of Spyglass Merger Corp. immediately prior to the effective time of the merger will be the initial officers of the surviving corporation.

Representations and Warranties

The merger agreement contains representations and warranties that we and Spyglass Merger Corp. made to each other as of specific dates. The assertions embodied in those representations and warranties were made for purposes of the merger agreement between Serena and Spyglass Merger Corp., a copy of which is attached hereto as Annex A and which is incorporated by reference into this proxy statement. The representations and warranties in the merger agreement are complicated and not easily summarized. You are urged to read carefully and in their entirety the sections of the merger agreement entitled Representations and Warranties of the Company and Representations and Warranties of the Buyer in Annex A to this proxy statement. The assertions embodied in the representations and warranties are qualified by information in a confidential disclosure schedule that we provided to Spyglass Merger Corp. in connection with the signing of the merger agreement. While Serena does not believe that the confidential disclosure schedule contains information that securities laws require it to publicly disclose, other than information that has already been so disclosed, the disclosure schedule does contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they are modified in important part by the underlying disclosure schedule. Moreover, certain representations and warranties are subject to a contractual standard of materiality different from those generally applicable to stockholders or were used for the purpose of allocating risk between Serena and Spyglass Merger Corp. rather than establishing matters as facts. We are not currently aware of any specific undisclosed material facts relating to Serena that would be material to

you as a stockholder voting on the merger that contradict the representations and warranties contained in the merger agreement.

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Our representations and warranties in the merger agreement relate to, among other things:

- our and our subsidiaries proper organization, good standing and corporate power to operate our businesses;
- our capitalization, including in particular the number of shares of our common stock and stock options outstanding and the amount of our debt outstanding;
- our certificate of incorporation and bylaws and those of our significant subsidiaries;
- our corporate power and authority to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;
- the absence of any violation of or conflict with our organizational documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger;
- required consents and approvals of governmental entities in connection with the merger;
- the vote required by our stockholders in connection with the approval of the merger agreement and merger;
- our SEC filings since January 1, 2002, the financial statements contained therein and our internal controls;
- the accuracy and completeness of information it has supplied for inclusion in this proxy statement;
- the absence of liabilities, other than as set forth on our July 31, 2005 balance sheet, ordinary course liabilities, liabilities incurred in connection with the merger and liabilities that would not have a material adverse effect;
- the absence of certain changes and events since July 31, 2005, including the absence of a material adverse effect;
- employment and labor matters affecting us, including matters relating to our employee benefit plans;
- real property owned and leased by us and our subsidiaries and title to assets;
- our intellectual property;
- taxes, environmental matters, employee benefit plans and certain specified types of contracts;
- the absence of litigation or outstanding court orders against us;

our compliance with applicable statutes, laws, rules, orders and regulations;

our possession of all licenses and permits necessary to operate our properties and carry on our business;

labor matters;

our insurance policies;

receipt by the special committee of the board of directors of an opinion from Morgan Stanley & Co. Incorporated;

inapplicability of state anti-takeover laws to the merger;

the absence of undisclosed broker s fees; and

transactions with affiliates.

For the purposes of the merger agreement, material adverse effect means any material adverse change, event, circumstance or development with respect to, or material adverse effect on, the business, assets, liabilities, financial condition or results of operations of Serena and its subsidiaries, taken as a whole, or any event that would materially impede the ability of Serena to effect the consummation of the merger and the transactions

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contemplated by the merger agreement. Notwithstanding the foregoing, none of the following will be deemed to constitute, or be taken into account in determining whether there has been or will be, a material adverse effect :

- any effect resulting from general national or world economic conditions and any acts of war or terrorism, except to the extent that such effects disproportionately affect us in any significant respect relative to other participants the industries or markets in which we operate;
- any effect resulting from the announcement of the execution of the merger agreement or the pendency of the merger;
- any effect resulting from changes in law, rule or regulations or generally accepted accounting principles or the interpretation thereof, except to the extent that such effects disproportionately affect us in any significant respect relative to other participants in the industries or markets in which we operate;
- any effect resulting from any action (or failure to act) outside the ordinary course of business of the Company required to be taken pursuant to the merger agreement (other than consummation of the merger);
- a decline in the price of our common stock on The NASDAQ Stock Market (but not including the facts and circumstances giving rise to such decline, which may be considered and taken into account in determining whether there has been a material adverse effect);
- any failure by Serena to meet published financial projections, in and of itself (but not including the facts and circumstances giving rise to such failure to meet published financial projections, which may be considered and taken into account in determining whether there has been a material adverse effect); and
- any litigation relating to an alleged breach of fiduciary duty in connection with the merger agreement or any effect resulting from such litigation.

The merger agreement also contains customary representations and warranties made by Spyglass Merger Corp. that are subject, in some cases, to specified exceptions and qualifications. The representations and warranties relate to, among other things:

- its proper organization, good standing and corporate power to operate its businesses;
- its corporate power and authority to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;
- the absence of any violation of or conflict with its organizational documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger;
- required consents and approvals of governmental entities as a result of the merger;
- the accuracy and completeness of information it has supplied for inclusion in this proxy statement;

the operations of Spyglass Merger Corp.;

the absence of litigation or outstanding court orders against it;

the debt commitment letter and the contribution and voting agreement received by Spyglass Merger Corp., including that the debt commitment letter and the contribution and voting agreement are in full force and effect and are a legal, valid and binding obligation of Spyglass Merger Corp. and, to the knowledge of Spyglass Merger Corp., the other parties thereto;

the delivery by Spyglass Merger Corp. of the contribution and voting agreement;

the absence of undisclosed broker s fees; and

the solvency of the surviving corporation following the merger.

The representations and warranties of each of the parties to the merger agreement will expire upon completion of the merger.

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Conduct of Our Business Pending the Merger

Under the merger agreement, we have agreed that, subject to certain exceptions, between November 11, 2005 and the completion of the merger we and our subsidiaries will:

- conduct our business only in the ordinary course of business and in a manner consistent with past practice;
- use reasonable commercially reasonable efforts to maintain and preserve our business organization, assets and properties and to preserve our business relationships with customers, strategic partners, suppliers, distributors and others with which we have business dealings; and
- use commercially reasonable efforts to maintain in full force and effect substantially the same levels of coverage with respect to our assets, operations and activities.

We have also agreed that during the same time period, and again subject to certain exceptions or unless Spyglass Merger Corp. gives its prior written consent, we and our subsidiaries will not:

- declare, set aside or pay dividends or pay any other distributions;
- adjust, split, combine or reclassify our stock or the stock of our subsidiaries;
- purchase, redeem or otherwise acquire any of our or our subsidiaries securities, other than in connection with the repurchase of unvested shares at cost pursuant to the terms of employment or consulting agreements in effect on the date of the merger agreement;
- issue, deliver, sell, grant, pledge or otherwise dispose of or encumber any of our or our subsidiaries securities, other than issuance of shares pursuant to the exercise of stock options outstanding on the date of the merger agreement or upon the conversion of our convertible notes;
- amend or otherwise change our or our subsidiaries organizational documents;
- except to the extent reflected in our fiscal 2006 and 2007 budgets or in the ordinary course of our business, make any acquisitions of businesses or assets, except in accordance with existing capital expenditure budgets up to $1,000,000 of unbudgeted capital expenditures in the aggregate and other acquisitions in the ordinary course of business;
- sell, lease, license, assign, pledge, or otherwise dispose of or encumber any of our or our subsidiaries material properties, assets, rights or intellectual property, other than:
  - sales of assets in the ordinary course of business consistent with past practice having a value not in excess of $2,000,000 in the aggregate,

licenses and dispositions of our intellectual property pursuant to contracts as in effect on the date of the merger agreement,

non-exclusive licenses of our products extended in the ordinary course of business consistent with past practice;

sales of equipment and other tangible assets no longer used or useful in our business, or

leases or subleases in the ordinary course of business that are not material;

adopt, publicly propose or implement any stockholder rights plan;

incur, assume, guarantee or amend any indebtedness for borrowed money other than indebtedness among us and our subsidiaries incurred in the ordinary course of business in connection with our cash management;

issue, sell or amend any debt securities or warrants or other rights to acquire any of our or our subsidiaries debt securities, guarantee any debt securities of another person, enter into any keep well

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or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing;

enter into any hedging agreement or other financial agreement or arrangement designed to protect us and our subsidiaries against fluctuations in interest or exchange rates;

make any changes in accounting methods, procedures, principles or practices not required by GAAP, or change any assumption underlying, or method of calculating, any bad debt, contingency or other reserve;

establish, adopt, enter into, amend or terminate any benefit plan, agreement, program, policy, trust, fund or other arrangement or increase the compensation or fringe benefits of any of our or our subsidiaries employees (except for increases in salary or hourly wage rates, in the ordinary course of business consistent with past practice or the payment of accrued or earned but unpaid bonuses);

grant any severance or termination pay except for any payments to terminated employees required under contracts or benefit plans in effect on the date of the merger agreements;

loan or advance any money or other property to any employee other than advancements of business expenses in the ordinary course;

grant any equity or equity based awards, including the grant of stock options, stock appreciation rights, restricted stock or restricted stock units;

take any action that confers enforceable rights or remedies to employees under or by reason of the merger agreement or in any way secures the payment of compensation or benefits under any benefit plan other than in the ordinary course of business;

allow for the commencement of any new offering periods under any employee stock purchase plans;

make, change or amend any material tax election, tax return, or method of tax accounting, settle or compromise any material tax liability, or enter into any material closing agreement with respect to any tax or surrender any right to claim a material tax refund;

compromise or settle any litigation involving either (x) cash payments of more than $175,000 or any injunction or other equitable remedy or (y) any matter relating to the execution, delivery or performance of merger agreement or the consummation of the transactions contemplated by the merger agreement;

enter into any joint venture, general or limited partnership agreement, limited liability company agreement or other similar agreement;

enter into, terminate, or amend in any material way certain material contracts;

waive, release, cancel, allow to lapse, encumber or otherwise transfer any rights under certain material contracts;

enter into any contract that would materially delay or prevent consummation of merger and related transactions;

make any loan, advance or capital contribution to or investment in any person, other certain loans, advances or capital contributions to or investments in our subsidiaries in the ordinary course of business;

other than in the ordinary course of business and not material in the aggregate, cancel any material debts or waive any material claims or rights of substantial value;

fail to manage and retain our and our subsidiaries cash and cash equivalents and investments in consultation with Spyglass Merger Corp. in a manner consistent with past practice or fail to manage accounts payable or accounts receivable in a manner consistent with past practice;

take any action that we have reason to believe would impair, delay or prevent Spyglass Merger Corp. obtaining the financing contemplated by any commitment letter or engage in any restructuring of our and our subsidiaries corporate and ownership structure;

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amend, extend, renew or enter into new insurance policies except on such terms and for such amounts as is consistent with past practice; or

enter into or amend any exclusive license granted by us or any of our subsidiaries or any source code agreement entered into other than in the ordinary course of business, or terminate, amend, supplement, or modify in any material respect any material out-bound license agreement other than in the ordinary course of business.

Financing

Spyglass Merger Corp. and we have agreed to use our commercially reasonable efforts to fully satisfy on a timely basis all the terms, conditions, representations and warranties contained in the debt commitment letter and the contribution and voting agreement relating to the financing for the merger. At our request, Spyglass Merger Corp. will keep us informed with respect to all material activity concerning the status of the financings. Spyglass Merger Corp. will notify us as promptly as practicable, but in any event within 24 hours, if the debt commitment letter or the contribution and voting agreement with respect to the financing of the merger should terminate or expire or any financing source notifies Spyglass Merger Corp. that such source no longer intends to provide financing to Spyglass Merger Corp. on the material terms in the debt commitment letter or the contribution and voting agreement, and will use commercially reasonable efforts to obtain alternate financing as long as the terms for such alternate financing are no less favorable to Spyglass Merger Corp. than as contained in the debt commitment letter and the contribution and voting agreement. We have agreed to provide Spyglass Merger Corp. with cooperation reasonably requested by Spyglass Merger Corp. in connection with its financing activities including, to the extent reasonable, participation in meetings, drafting and due diligence sessions, road shows and meetings with rating agencies, preparing business projections, financial statements, offering memoranda, prospectuses and similar documents and executing and delivering agreements and other documents in connection with such financings.

For additional information regarding the expected financing of the merger, including the opportunity of the management participants to retain or acquire shares of Serena common stock and to retain their options to acquire shares of Serena common stock, see Special Factors Financing and Special Factors Interests of the Company s Directors and Executive Officers in the Merger.

No Solicitation of Transactions

We have agreed that neither we nor any of our subsidiaries will, nor will we authorize or knowingly permit our representatives to, directly or indirectly:

solicit, initiate, encourage or knowingly facilitate any inquiries or the making of any proposal or offer with respect to, or that could reasonably be expected to lead to any acquisition proposal; or

enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any non-public information or grant access to our properties, books and records or personnel in connection with any acquisition proposal.

For purposes of the merger agreement, acquisition proposal means any proposal or offer, other than the merger with Spyglass Merger Corp. and related transactions:

relating to a merger, reorganization, consolidation, extra-ordinary dividend or distribution to our stockholders, tender offer, exchange offer, liquidation, dissolution, or other business combination involving us or our significant subsidiaries,

for us to issue 10% or more of our equity securities, or

to acquire, including any acquisition of our capital stock by us or our subsidiaries, in any manner, directly or indirectly, 10% or more of our or our subsidiaries outstanding capital stock or assets.

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However, we are permitted to engage in discussions or negotiations with, or provide any information to, a third party in connection with an unsolicited bona fide written acquisition proposal received by our board of directors or special committee after the date of the merger agreement, if and only to the extent that prior to taking such action our board of directors or the special committee:

- determines in good faith, after consultation with its outside legal and financial advisors, that the acquisition proposal is, or is reasonably likely to result in, a superior proposal and determines in good faith, after consultation with its outside legal counsel, that its failure to engage in discussions or provide information to the third party would reasonably likely be a breach of the fiduciary duties of the board of directors or special committee to our stockholders; and

- receives from the third party an executed confidentiality agreement containing terms that are no less restrictive to such third party with respect to confidential information than those contained in the confidentiality agreement signed with Silver Lake Management Company, L.L.C., which is an affiliate of Spyglass Merger Corp., and on the condition that if the confidentiality agreement with such third party contains provisions that are less restrictive to such third party with respect to matters other than confidential information, the terms of the confidentiality agreement with Silver Lake Management Company, L.L.C. will be amended or waived to the same extent.

For purposes of the merger agreement, superior proposal means any unsolicited bona fide written proposal from a third party that:

- relates to an acquisition, directly or indirectly, of more than 50% of our outstanding common stock or substantially all of our assets pursuant to a tender or exchange offer, merger, consolidation, a sale of assets, or otherwise; and

- our board of directors or its special committee determines in good faith, after consultation with its legal and financial advisors taking into account all financial, regulatory, legal and other aspects of such proposal, is more favorable to our stockholders from a financial point of view than the transactions contemplated by the merger agreement and is reasonably capable of being completed on the terms proposed and which proposal either has no financing condition or is accompanied by commitment letters which our board of directors or its special committee determines in good faith, after consultation with its legal and financial advisors, makes it reasonably likely that the acquisition proposal will be consummated on the terms proposed.

We have agreed, as promptly as reasonably practicable (but in any event within 24 hours), upon receipt of any acquisition proposal, inquiry with respect to or any request for nonpublic information in connection with an acquisition proposal, to provide written and, to the extent practicable, oral notice to Spyglass Merger Corp. We have agreed to include in the notice the material terms and conditions of the acquisition proposal, inquiry or request and the identity of the person making the acquisition proposal, inquiry or request and to keep Spyglass Merger Corp. informed in all material respects on a current basis of the status thereof and of any communications, modifications or developments with respect to such acquisition proposal, inquiry or request, including, copies of written acquisition proposals, inquiries or requests and material written information exchanged with any third party (other than our representatives) relating thereto.

We have also agreed that neither the board of directors, the special committee nor any other committee of the board of directors will: