

SERENA SOFTWARE INC
Form S-4
March 08, 2004
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As filed with the Securities and Exchange Commission on March 8, 2004

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SERENA SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

7372
(Primary Standard Industrial
Classification Code Number)

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

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

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

Mark Woodward
President and Chief Executive Officer

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

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

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Copies to:

Kenneth R. Lamb

Stewart L. McDowell

Gibson, Dunn & Crutcher LLP

One Montgomery Street

San Francisco, CA 94104-4505

(415) 393-8200

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

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

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

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

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum offering Price Per Unit	Proposed Maximum Aggregate offering Price (2)	Amount of Registration Fee (3)
Common Stock, par value \$0.001 per share	6,056,530 shares	N/A	\$ 119,434,772	\$ 15,133

- (1) Represents the maximum number of shares of common stock, par value \$0.001 per share, of the Registrant, SERENA Software, Inc., estimated for purposes of calculating the amount of the filing fee to be issuable in exchange for all of the issued and to be issued ordinary shares and American depositary shares (each American depositary shares represents five ordinary shares), including shares issuable upon exercise of Merant options, of Merant plc based on an exchange ratio of 0.04966 share of SERENA Software common stock and 136.5 pence in cash for each ordinary share of Merant plc. This amount (the Amount to be Registered) is based on the product of (i) 105,516,545 (the number of Merant ordinary shares outstanding on 2 March 2004), plus 16,443,389 (the number of options to purchase Merant shares outstanding, excluding options over issued Merant shares granted by Merant's employee benefit trusts), multiplied by (ii) 0.04966.
- (2) Estimated for purposes of calculating the amount of the filing fee only in accordance with Section 457(c) and 457(f) under the Securities Act of 1933 based upon (a) \$19.72 (the average of the high and low prices per share of SERENA common stock on 4 March 2004 as reported by the Nasdaq National Market) multiplied by (b) the Amount to be Registered.
- (3) Computed in accordance with Rule 457(f) under the Securities Act to be \$15,133, which is equal to 0.00012670 multiplied by the Proposed Maximum Aggregate offering Price.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the United States Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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

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

If you have sold or otherwise transferred your Merant securities, please send this document and the accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was made, for delivery to the purchaser or transferee.

SUBJECT TO COMPLETION, DATED MARCH 8, 2004

OFFER DOCUMENT DATED 2004

RECOMMENDED CASH AND SHARE OFFER

BY

SERENA SOFTWARE, INC.

(AND BY

LEHMAN BROTHERS

ON ITS BEHALF

OUTSIDE THE UNITED STATES)

FOR

THE ENTIRE ISSUED AND TO BE ISSUED SHARE CAPITAL OF

MERANT PLC

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

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

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

The exchange ratio is based on a valuation of 195 pence for each Merant share. On this basis, the offer values the entire issued share capital of Merant at approximately £206 million (US\$381 million). Our offer to pay for and exchange SERENA shares for Merant shares and Merant ADSs is subject to the conditions set forth in Part A of Appendix 1 of this document.

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

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

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

The initial offer period will expire at 3.00 pm (London time), 10.00 am (New York City time), on 2004, unless we specify a later closing date. At the conclusion of the initial offer period, if all the conditions have been satisfied, fulfilled and/or, to the extent permitted, waived, we will extend the offer for a subsequent offer period of at least 14 calendar days. Merant securityholders will have withdrawal rights during the initial offer period, including any extension thereof, but not during the subsequent offer period, except in limited circumstances.

To accept the offer, you must complete the appropriate acceptance procedures by no later than 3.00 pm London time, 10.00 am New York City time, on 2004. The procedures for acceptance of the offer is described beginning on page of this document and in the accompanying acceptance form.

In connection with the offer, you should consider the matters discussed under Risk Factors beginning on page 20 of this document.

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

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REFERENCES TO ADDITIONAL INFORMATION

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

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

D.F. King & Co., Inc.

North America

48 Wall Street

New York, NY 10005

Toll Free: 1(800)859-5550

Banks and Brokers: 1(212)269-5550

Europe

No. 2 London Wall Buildings
London Wall, London EC2M 5PP

Toll Free, U.K.: 0 800 917 8414
Call Collect: +(44) 20 7920 9700

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

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IMPORTANT INFORMATION

DEFINITIONS

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

APPLICABLE DISCLOSURE REQUIREMENTS

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

FORWARD-LOOKING STATEMENTS

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

the possibility that the offer may not be completed;

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

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

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

our reliance on our mainframe products for revenue;

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changes in revenue mix and seasonality;

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

dependence on revenues from our installed base;

continued demand for additional mainframe MIPS capacity;

expansion of our international organisations; and

our ability to manage our growth.

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

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FINANCIAL INFORMATION

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

ABSENCE OF APPRAISAL RIGHTS

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

RULE 8 NOTICES

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

ADVISERS

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

UBS Investment Bank, referred to as UBS, which is regulated in the United Kingdom by The Financial Services Authority, is acting for Merant and no one else in connection with the offer and will not be responsible to anyone other than Merant for providing the protections afforded to customers of UBS nor for giving advice in relation to the offer.

NO INTERNET SITE IS PART OF THIS DOCUMENT

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

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QUESTIONS AND ANSWERS AND SUMMARY OF THE MATERIAL TERMS OF THE OFFER

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

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

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

We are listed on Nasdaq under the symbol SRNA. We have a current market capitalisation of approximately US\$803 million based on the closing price of SERENA shares on 2 March 2004, the last dealing day prior to the date of the announcement of the offer. In the year ended 31 January 2004, we reported profit before tax of US\$33.7 million on revenues of US\$105.6 million and reported earnings per share of \$0.53. As at 31 January 2004 we had total cash and investments of US\$377 million.

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

WHY ARE YOU MAKING THIS OFFER?

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

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

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

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

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

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

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

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

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

WHAT ARE THE SECURITIES SOUGHT IN THE OFFER?

We are seeking to acquire all of the issued and to be issued shares and ADSs of Merant.

Merant is a leading provider of software and services for managing code, content and other business-critical assets. Merant designs, develops and markets software products and services for ECM, SCM and web content management, under the Merant brand (formerly the PVCS® brand). Merant solutions help companies improve their ability to manage change of software applications, code and web content.

In the year ended 30 April 2003, Merant generated approximately 50 per cent. of its revenue from maintenance fees, approximately 38 per cent. from the sale of licences and the remainder of its revenue from consulting and training. Merant has approximately 535 employees worldwide.

Merant shares are listed on the Official List and publicly traded on the London Stock Exchange under the symbol MRN, and (in ADS form) on Nasdaq under the symbol MRNT. Merant has a current market capitalisation of approximately £164 million based on the closing price of Merant shares on 2 March 2004, the last dealing day prior to the date of the announcement of the offer. The principal executive offices of Merant are located at Abbey View Everard Close, St. Albans, Herts, AL12PS United Kingdom and the telephone number is +44-(1727)-812812.

See paragraph 2 of the letter from Lehman Brothers contained in this document.

WHAT WOULD I RECEIVE IN EXCHANGE FOR MY MERANT SECURITIES?

We are offering to pay:

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for every 1 Merant share	136.5 pence in cash and 0.04966 of a new SERENA share
for every 1 Merant ADS (each ADS	682.5 pence in cash and 0.2483 of a new SERENA share

representing 5 Merant shares)

The exchange ratio was based on a valuation of each Merant share at 195 pence. On this basis, the offer values the entire amount of issued share capital of Merant at approximately £206 million (US\$381 million). This is based on an exchange rate of US\$1.8488 : £1.00 calculated as the average of the US dollar / pound sterling exchange rate derived from the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York, referred to as the noon buying rate, for the five trading days ended 3 March 2004 and the price per SERENA share of US\$21.78 calculated as the average closing prices of one SERENA share as reported on Nasdaq for the twenty United States trading days ended 1 March 2004.

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

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

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

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

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

On 2 March 2004, the last dealing day before we announced the offer, the mid-market closing price of Merant shares reported on the London Stock Exchange was 155.35 pence per share and the last sale price of Merant ADSs reported on Nasdaq was US\$14.79 per Merant ADS. Between 2 March 2003 and 2 March 2004, the price of Merant shares ranged between 116.92 pence and 183.50 pence per share and the price of Merant ADSs ranged from US\$9.00 and US\$15.50 per Merant ADS. We advise you to obtain a recent quotation for Merant shares and Merant ADSs in deciding whether to accept the offer. See paragraph 3 of Appendix 5 of this document.

On 2 March 2004 (the last dealing day prior to the posting of this document), at the then prevailing exchange rate of US\$ 1.45:£ and a SERENA share price of \$ 19.50, the offer values each Merant share at 195 pence, representing a premium of approximately 34 per cent. to the closing price of 155.5p per Merant share on 2 March 2004, the last dealing day prior to announcement of the offer.

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

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

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

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

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

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

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

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

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

The mix and match election will be conditional upon the offer becoming or being declared unconditional in all respects and may be limited by SERENA in certain circumstances.

CAN I CHOOSE THE CURRENCY FOR THE CASH I RECEIVE?

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

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

If you elect or are deemed to have elected to receive the cash portion of your consideration in US dollars, the cash amount payable in pounds sterling to which you would otherwise be entitled pursuant to the terms of the offer will be converted, without charge, from pounds sterling to US dollars at the exchange rate obtainable on the spot market in London at approximately noon (London time) on the date the cash consideration is made available by SERENA to the relevant paying agent for delivery in respect of your Merant securities. The actual amount of US dollars received will depend on the exchange rate prevailing on the day on which funds are made available to the relevant payment agent by SERENA. See paragraph 13 of Appendix 1 of this document.

DOES THE MERANT BOARD OF DIRECTORS SUPPORT THE OFFER?

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The board of directors of Merant, referred to as the Merant directors, which has been so advised by UBS, considers the terms of the offer fair from a financial point of view. In providing advice to the Merant board, UBS has taken account of the Merant board's commercial assessments. Accordingly, the Merant directors intend unanimously to recommend that Merant securityholders accept the offer.

Each member of the board of directors has irrevocably undertaken to accept the offer in respect of their own beneficial holdings, comprising 381,389 Merant shares in aggregate (representing 0.36 per cent. of Merant's existing issued share capital). One Merant director, Gerald Perkel, has also irrevocably undertaken to accept the offer in respect of all Merant shares he receives as a result of the exercise of options during the period while the

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offer is open for acceptance, representing up to 1,500,000 Merant shares. No other Merant director holds any options over Merant shares. See the letter from the Chairman of Merant in this document.

DO ANY OTHER SHAREHOLDERS SUPPORT THE OFFER?

We have received an additional irrevocable undertaking to accept the offer from Merant Trustees Limited, the trustees for Merant's employee benefit trusts, representing approximately 7.03 per cent. of Merant's existing issued share capital. We have also received confirmations of intent to accept the offer, representing in aggregate approximately 27.4 per cent. of Merant's existing issued share capital. See paragraph 5 of the letter from Lehman Brothers. The Merant securityholders from whom we have received undertakings and confirmations of intent (including a confirmation of intent from Schroder Investment Management Limited), hold an aggregate of 34.74% of the issued share capital of Merant as of March 2, 2004.

DO YOU HAVE THE FINANCIAL RESOURCES TO MAKE PAYMENT?

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

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

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

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

HOW LONG DO I HAVE TO DECIDE WHETHER TO ACCEPT THE OFFER?

You will have until 3.00 pm, London time, 10.00 am, New York City time, on _____ 2004, to accept the offer, unless the offer is extended. However, if you are an ADS holder and you cannot deliver everything that is required in order to make a valid tender of Merant ADSs by that time, you may gain some time by following the procedures for guaranteed delivery, which are described later in this document. See paragraph 13 of the letter from Lehman Brothers and paragraphs 10, 11 and 12 of Part B of Appendix 1 of this document.

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

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

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

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CAN THE OFFER BE EXTENDED AND UNDER WHAT CIRCUMSTANCES?

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

HOW WILL I BE NOTIFIED IF THE OFFER IS EXTENDED?

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

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

WHAT ARE THE MOST SIGNIFICANT CONDITIONS TO THE OFFER?

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

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

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

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

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

CAN THE OFFER BE TERMINATED OR AMENDED?

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

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

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

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

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HOW DO I ACCEPT THE OFFER?

To accept the offer, you must deliver a completed form of acceptance in the case of Merant shares, or a completed letter of transmittal in the case of Merant ADSs, to the UK Receiving Agent or the US Depository, respectively, not later than the time the offer expires. If your Merant shares are held in uncertificated form (that is, you do not have a share certificate because your Merant shares are held in CREST), you should read carefully paragraph 10 of Part B of Appendix 1 to this document, which sets out the acceptance procedures for holders of Merant shares in uncertificated form. If your Merant shares or ADSs are held in street name in the US, they can be tendered by your nominee through the applicable book entry transfer system. In the case of ADSs, if you cannot get any document or instrument that is required to be delivered by the expiration of the offer, you may gain some time by following the procedures for guaranteed delivery. See paragraph 13 of the letter from Lehman Brothers and paragraphs 10, 11 and 12 of Part B of Appendix 1 of this document.

UNTIL WHAT TIME CAN I WITHDRAW MY ACCEPTANCE?

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

HOW DO I WITHDRAW MY ACCEPTANCE?

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

WILL THE OFFER BE FOLLOWED BY A COMPULSORY ACQUISITION?

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

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

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

We also intend to apply, or request that Merant apply, to Nasdaq, the London Stock Exchange and the UK Listing Authority to have the Merant ADSs and Merant shares de-listed, terminate the deposit agreement through

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

WILL I HAVE APPRAISAL RIGHTS IN CONNECTION WITH THE OFFER?

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

WILL I HAVE TO PAY ANY FEES OR COMMISSIONS?

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

WILL I RECEIVE CASH INSTEAD OF FRACTIONAL SERENA SHARES?

We will not issue fractions of SERENA shares in exchange for Merant shares and Merant ADSs. To the extent that Merant securityholders are entitled to fractional shares, those fractional entitlements will be aggregated and sold in the market and the net proceeds of sale distributed pro rata to the holders of Merant shares and Merant ADSs entitled to them. Such payment will be made in pounds sterling, the proceeds having been converted from US dollars at a prevailing exchange rate selected by SERENA at the relevant time; however, individual entitlements to amounts of less than £2.50 will not be paid out to Merant securityholders, but will be retained for the benefit of the combined companies.

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

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

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

A Merant securityholder who, alone or together wit