FORM S-1 · REGISTRATION STATEMENT

Serena Software Inc

IPO priced 1999-02-12 · $13.00 a share · SRNA



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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 23, 1998 REGISTRATION NO. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 SERENA SOFTWARE, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA (prior to reincorporation) DELAWARE (after reincorporation) (State or other jurisdiction of incorporation or organization)	7372 (Primary Standard Industrial Classification Code Number)	94-2669809 (I.R.S. Employer Identification Number)

SERENA SOFTWARE, INC. 500 AIRPORT BOULEVARD, 2ND FLOOR BURLINGAME, CALIFORNIA 94010-1904 (650) 696-1800 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) RICHARD A. DOERR SERENA SOFTWARE, INC. PRESIDENT AND CHIEF EXECUTIVE OFFICER 500 AIRPORT BOULEVARD, 2ND FLOOR BURLINGAME, CALIFORNIA 94010-1904 (650) 696-1800 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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DOUGLAS H. COLLOM ROBERT F. KORNEGAY MARK B. BAUDLER PRIYA CHERIAN HUSKINS WILSON SONSINI GOODRICH & ROSATI PROFESSIONAL CORPORATION 650 PAGE MILL ROAD PALO ALTO, CALIFORNIA 94304-1050 (650) 493-9300	CARLA S. NEWELL DOUGLAS T. SHEEHY JOHN F. DIETZ GUNDERSON DETTMER STOUGH VILLENEUVE FRANKLIN & HACHIGIAN, LLP 155 CONSTITUTION DRIVE MENLO PARK, CALIFORNIA 94025 (650) 321-2400

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED ON A DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 145 UNDER THE SECURITIES ACT OF 1933, 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, PLEASE 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(C) 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 DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)(2)	AMOUNT OF REGISTRATION FEE
COMMON STOCK, $0.001 PAR VALUE.....	6,900,000	$75,900,000	$21,100

(1) INCLUDES SHARES THAT THE UNDERWRITERS HAVE THE OPTION TO PURCHASE TO COVER OVER-ALLOTMENTS, IF ANY.

(2) ESTIMATED SOLELY FOR THE PURPOSE OF COMPUTING THE AMOUNT OF THE REGISTRATION FEE PURSUANT TO RULE 457(O) PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

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 OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SUCH SECTION 8(A), MAY DETERMINE.

SUBJECT TO COMPLETION, DATED NOVEMBER 23, 1998 THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. UNDERWRITERS MAY NOT CONFIRM SALES OF THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BECOMES EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS

6,000,000 SHARES

[LOGO]

COMMON STOCK

THIS IS AN INITIAL PUBLIC OFFERING OF COMMON STOCK BY SERENA SOFTWARE, INC. OF THE 6,000,000 SHARES OF COMMON STOCK BEING SOLD IN THIS OFFERING, 4,000,000 SHARES ARE BEING SOLD BY SERENA SOFTWARE AND 2,000,000 SHARES ARE BEING SOLD BY THE SELLING STOCKHOLDERS. SERENA SOFTWARE WILL NOT RECEIVE ANY OF THE PROCEEDS FROM THE SALE OF SHARES BY THE SELLING STOCKHOLDERS. THE ESTIMATED INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $ AND $ PER SHARE.

THERE IS CURRENTLY NO PUBLIC MARKET FOR THE COMMON STOCK. SERENA SOFTWARE HAS APPLIED TO HAVE THE COMMON STOCK APPROVED FOR QUOTATION ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL SRNA.

	PER SHARE	TOTAL
Initial public offering price.....	$	$
Underwriting discounts and commissions.....	$	$
Proceeds to SERENA Software, before expenses.....	$	$
Proceeds to the selling stockholders, before expenses.....	$	$

SERENA SOFTWARE HAS GRANTED THE UNDERWRITERS AN OPTION FOR A PERIOD OF 30 DAYS TO PURCHASE UP TO 900,000 ADDITIONAL SHARES OF COMMON STOCK.

INVESTING IN THE COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

HAMBRECHT & QUIST SG COWEN SOUNDVIEW TECHNOLOGY GROUP , 1998 THE FOLLOWING DIAGRAM ILLUSTRATES SERENA'S FULL.CYCLE ENTERPRISE SOFTWARE CHANGE MANAGEMENT ENVIRONMENT WHICH WILL BE COMPRISED OF THE FULL.CYCLE MAINFRAME PRODUCT SUITE, THE PLANNED FULL.CYCLE DESKTOP PRODUCT SUITE AND THE SERNET CONNECT COMMUNICATIONS MODULE:

GRAPHIC DEPICTING THE COMPANY'S FULL.CYCLE ENTERPRISE SCM ENVIRONMENT WHICH IS COMPRISED OF THE FULL.CYCLE MAINFRAME AND FULL.CYCLE DESKTOP PRODUCT SUITES AND THE SERNET COMMUNICATION MODULE. A CYLINDER APPEARS ON THE LEFT EDGE OF THE GRAPHIC WITH "SOURCE CODE," "APPLICATION CODE" AND "DATA" PRINTED ON IT. THE CYCLINDER IS CONNECTED FROM ITS RIGHT SIDE TO A FIGURE LABELED "MAINFRAME". THE MAINFRAME FIGURE IS CONNECTED FROM ITS RIGHT SIDE TO A FIGURE LABELED "WINDOW INTERNET." THE WINDOW INTRANET FIGURE IS CONNECTED FROM ITS RIGHT SIDE TO A FIGURE LABELED "DESKTOP" WITH "CLIENT OR SERVER" APPEARING BENEATH THE DESKTOP FIGURE. THE DESKTOP FIGURE IS CONNECTED ON ITS RIGHT SIDE TO A CYLINDER APPEARING ON THE RIGHT EDGE OF THE GRAPHIC WITH "SOURCE CODE," "APPLICATION CODE" AND "DATA" PRINTED ON IT. THE BOTTOM HALF OF THE GRAPHIC IS COMPOSED

OF TWO LARGE RECTANGLES ON THE LEFT AND RIGHT SIDE OF THE BOTTOM OF THE GRAPHIC CONNECTED BY A THIN RECTANGLE LABELED "SERNET CONNECT". THE LARGE RECTANGLE ON THE LEFT IS LABELED "FULL.CYCLE MAINFRAME" AND CONTAINS A CIRCLE LABELED "SERNET MAINFRAME." TO THE LEFT OF THE CIRCLE APPEAR THE COMPANY'S FULL.CYCLE MAINFRAME PRODUCT NAMES: CHANGE MAN, COMPAREX, CDF, SYNCTRAC, STARTOOL AND STARWARP. THE LARGE RECTANGLE ON THE RIGHT IS LABELED "FULL CYCLE DESKTOP*" AND CONTAINS A CIRCLE LABELED "SERNET DESKTOP" INTENDED TO INDICATE THE COMPANY'S DESKTOP SCM PRODUCT SUITE. TO THE RIGHT OF THE CIRCLE APPEAR THE COMPANY'S FULL.CYCLE DESKTOP PLANNED PRODUCT NAMES: CHANGE, COMPARE, MERGE + RECONCILE AND DETECT + RESOLVE. BELOW THE LARGE RECTANGLE ON THE RIGHT "*UNDER DEVELOPMENT" APPEARS IN ALL CAPITAL LETTERS.

INFORMATION CONTAINED ON SERENA'S WEB SITE DOES NOT CONSTITUTE PART OF THIS PROSPECTUS.

COMPAREX, CHANGE MAN, STARTOOL AND SYNCTRAC ARE REGISTERED UNITED STATES TRADEMARKS OF THE COMPANY. SERNET, FULL.CYCLE, CDF, CONCURRENT DEVELOPMENT FACILITY, STARWARP AND SER(POWER) AND THE SERENA LOGO ARE ALSO TRADEMARKS OF THE COMPANY. THIS PROSPECTUS ALSO CONTAINS TRADEMARKS AND TRADENAMES OF OTHER COMPANIES.

Table of Contents

Page

Prospectus Summary..... 4 Risk Factors..... 7 Forward Looking Statements..... 21 Use of Proceeds..... 22 Dividend Policy..... 22 Capitalization..... 23 Dilution..... 24 Selected Consolidated Financial Data..... 25 Management's Discussion and Analysis of Financial Condition and Results of Operations..... 26 Business..... 36 Management..... 49 Certain Transactions..... 58 Principal and Selling Stockholders..... 60 Description of Capital Stock..... 62 Shares Eligible for Future Sale..... 64 Underwriting..... 66 Legal Matters..... 68 Experts..... 68 Change in Auditors..... 68 Additional SERENA Information..... 68 Index to Financial Statements..... F-1

PROSPECTUS SUMMARY THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. THIS SUMMARY IS NOT COMPLETE AND MAY NOT CONTAIN ALL OF THE INFORMATION THAT YOU SHOULD CONSIDER BEFORE INVESTING IN THE COMMON STOCK. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY INCLUDING "RISK FACTORS" AND THE FINANCIAL STATEMENTS BEFORE MAKING AN INVESTMENT DECISION. IN THIS PROSPECTUS, THE "COMPANY," "SERENA," "SERENA SOFTWARE," "WE," AND "OUR" REFER TO SERENA SOFTWARE, INC. AND ITS SUBSIDIARIES UNLESS THE CONTEXT OTHERWISE REQUIRES. THE COMPANY SERENA is a leading provider of software change management ("SCM") products and services used to manage and control software change for information technology ("IT") organizations. In our 18 year history, we have developed highly effective SCM solutions that enable our customers to improve their return on IT investments by increasing programmer productivity and reducing application development and IT infrastructure maintenance costs. Successful management of IT infrastructures requires managing

rapid and unpredictable technological change within increasingly complex and diverse computing environments. Business issues such as competitive pressures, short time-to-market windows, regulatory changes and Year 2000 and European Monetary Union conversions introduce additional requirements for change. A key challenge for IT managers is managing software change throughout the business organization, including new version releases, "bug fixes," upgrades and application introductions. Any software change, if not managed effectively, has the potential to cause system outages or corrupt data which can result in disruption and lost business. Our products are designed to assist businesses in managing complexity by automating the management of software applications. Our FULL.CYCLE MAINFRAME product suite creates an IT environment that improves product consistency, enhances software integrity, protects valuable software assets and facilitates parallel development efforts. In addition, our SER(POWER) consulting services enable customers to customize our products to fully address their specific SCM requirements. As of October 31, 1998, our FULL.CYCLE MAINFRAME products have been installed in over 2,000 data centers worldwide, and our customers include 36 of the Fortune 50 companies such as Chase Manhattan, Citigroup, General Electric, IBM, MetLife, Merrill Lynch and Prudential. We intend to maintain our technology leadership in providing SCM solutions for the mainframe and to use the proprietary technology and expertise incorporated in our FULL.CYCLE MAINFRAME products to develop our SCM product suite for the desktop, FULL.CYCLE DESKTOP. This will enable us to provide customers with a complete SCM solution across the IT organization. We expect to release an initial version of our first desktop product, DETECT+RESOLVE, in the first half of calendar 1999. In 1998, we initiated a strategic expansion of our sales, marketing and professional services capabilities. This strategic expansion has included hiring additional direct sales personnel, initiating a telesales effort, recruiting additional third party distributors and increasing our professional services staff. In addition, we are also expanding our target market internationally to include companies within the Global 2000. In September 1998, we acquired Optima Software, which had served as the primary distributor of our flagship product, CHANGE MAN, for over ten years. This acquisition significantly increases our sales, marketing and professional services capabilities and enables us to sell and market CHANGE MAN as part of our FULL.CYCLE MAINFRAME product suite. Our headquarters are located at 500 Airport Boulevard, 2(nd) Floor, Burlingame, California 94010-1904, and our telephone number is (650) 696-1800.

The Offering

Common Stock offered by SERENA..... 4,000,000 shares Common stock offered by the selling stockholders..... 2,000,000 shares Common stock to be outstanding after this offering..... 24,204,250 shares (1) Use of proceeds..... For working capital, general corporate purposes and potential strategic investments or acquisitions. See "Use of Proceeds." Proposed Nasdaq National Market symbol..... SRNA (1) Based on shares outstanding as of October 31, 1998. Excludes 2,153,250 shares of common stock that were reserved for issuance upon exercise of stock options under our Amended and Restated 1997 Stock Option and Incentive Plan (the "1997 Plan") as of October 31, 1998, of which 796,860 options were outstanding at such date at a per share weighted average exercise price of $3.59. Includes 1,896,750 shares issued under restricted stock

agreements under our 1997 Plan. In addition, in connection with this offering, our board of directors has approved (i) an increase of 500,000 shares reserved under the 1997 Plan; (ii) a reserve of 150,000 shares for options to be granted under the 1999 Directors Option Plan; and (iii) a reserve of 225,000 shares for options to be granted under the 1999 Employee Stock Purchase Plan. See "Management--1997 Stock Plan," "--1999 Director Option Plan," "--1999 Employee Stock Purchase Plan," "Description of Capital Stock" and Note 6 of Notes to Consolidated Financial Statements of SERENA. UNLESS OTHERWISE NOTED, THE INFORMATION IN THIS PROSPECTUS TAKES INTO ACCOUNT (A) A 3-FOR-2 STOCK SPLIT EFFECTED IN JULY 1998, (B) A 3-FOR-2 STOCK SPLIT EFFECTED IN NOVEMBER 1998 AND (C) THE ASSUMED COMPLETION OF SERENA'S REINCORPORATION INTO DELAWARE PRIOR TO THE COMPLETION OF THIS OFFERING. PRO FORMA INFORMATION GIVES EFFECT TO SERENA'S SEPTEMBER 1998 ACQUISITION OF OPTIMA SOFTWARE ("OPTIMA") AS IF SUCH ACQUISITION OCCURRED AT THE BEGINNING OF THE PERIOD PRESENTED. UNLESS OTHERWISE INDICATED, THE INFORMATION THROUGHOUT THIS PROSPECTUS DOES NOT TAKE INTO ACCOUNT THE POSSIBLE ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK TO THE UNDERWRITERS PURSUANT TO THEIR OVER-ALLOTMENT OPTION.

Summary Consolidated Financial Information (In Thousands, Except Per Share Data)

	FISCAL YEAR ENDED JANUARY 31,				SIX MONTHS ENDED JULY 31,	
			1998		1998	
	1996	1997	ACTUAL	PRO FORMA (1)	1997	ACTUAL
CONSOLIDATED STATEMENT OF INCOME DATA:						
Revenue	$ 10,744	$ 17,454	$ 32,147	$ 41,315	$ 12,979	$ 18,916
Operating income	184	1,025	7,693	7,211	2,872	4,070
Net income	$ 278	$ 862	$ 4,761	$ 3,904	$ 1,921	$ 2,471
Net income per share (2):						
Basic	$ 0.02	$ 0.05	$ 0.31	$ 0.21	$ 0.12	$ 0.16
Diluted	$ 0.02	$ 0.05	$ 0.31	$ 0.21	$ 0.12	$ 0.15
Shares used to compute net income per share (2):						
Basic	15,750	15,750	15,248	18,436	15,376	15,639
Diluted	15,750	15,750	15,272	18,460	15,376	16,361

Pro Forma (1)

CONSOLIDATED STATEMENT OF INCOME DATA:	
Revenue	$ 23,284
Operating income	4,825
Net income	$ 2,747
Net income per share (2):	
Basic	$ 0.15
Diluted	$ 0.14
Shares used to compute net income per share (2):	
Basic	18,827
Diluted	19,549

	QUARTER ENDED				
	APR. 30, 1997	JULY 31, 1997	OCT. 31, 1997	JAN. 31, 1998	APR. 30, 1998
PRO FORMA COMBINED QUARTERLY STATEMENT OF INCOME DATA (1):					
Revenue	$ 7,181	$ 8,988	$ 9,844	$ 15,302	$ 10,835
Operating income	599	1,260	2,213	3,139	2,146
Net income	$ 256	$ 666	$ 1,345	$ 1,637	$ 1,220
Net income per share (2):					
Basic	$ 0.01	$ 0.04	$ 0.07	$ 0.09	$ 0.07
Diluted	$ 0.01	$ 0.04	$ 0.07	$ 0.09	$ 0.06

July 31, 1998

PRO FORMA COMBINED QUARTERLY STATEMENT OF INCOME DATA (1):	
Revenue	$ 12,449
Operating income	2,679
Net income	$ 1,527
Net income per share (2):	
Basic	$ 0.08
Diluted	$ 0.08

July 31, 1998 Actual Pro Forma (1) as Adjusted (3)

CONSOLIDATED BALANCE SHEET DATA:			
Cash and cash equivalents	$ 15,665	$ 15,633	$
Working capital	10,889	10,478	
Total assets	25,095	42,872	
Total liabilities and deferred revenue	14,079	15,918	
Total stockholders' equity	11,016	26,954	$

(1) The pro forma consolidated statement of income data for the fiscal year ended January 31, 1998 and for the six months ended July 31, 1998 and the pro forma consolidated balance sheet data as of July 31, 1998 have been derived from the unaudited Pro Forma Condensed Combined Financial Statements contained elsewhere in this prospectus. The pro forma combined quarterly statement of income data is derived from unaudited pro forma condensed combined statements of income not

included in this prospectus. The pro forma statement of income data gives effect to SERENA's acquisition of Optima as if it had occurred on February 1, 1997. For pro forma purposes, SERENA's consolidated statement of income for the fiscal year ended January 31, 1998 has been combined with Optima's consolidated statement of income for the fiscal year ended December 31, 1997, and SERENA's consolidated statement of income for the six month period ended July 31, 1998 has been combined with Optima's consolidated statement of income for the six month period ended July 31, 1998. For pro forma purposes, SERENA's consolidated statement of income for the four quarterly periods ended January 31, 1998 has been combined with Optima's consolidated statement of income for the four quarterly periods ended December 31, 1997. For pro forma purposes SERENA's consolidated statement of income for the two quarterly periods ended July 31, 1998 has been combined with Optima's consolidated statement of income for the same periods. For purposes of the pro forma consolidated balance sheet, SERENA's consolidated balance sheet as of July 31, 1998 has been combined with the consolidated balance sheet of Optima as of July 31, 1998 giving effect to the Optima acquisition as if it had occurred on July 31, 1998. (2) See Notes 1(m) and 4(d) of Notes to Consolidated Financial Statements of SERENA for an explanation of the determination of the number of shares used in computing per share data. (3) As adjusted to reflect the application of the net proceeds from the sale of the 4,000,000 shares of common stock offered by the Company at an assumed initial public offering price of $ and after deducting the underwriting discounts and commissions and estimated offering expenses.

Risk Factors

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AND ALL OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE PURCHASING OUR COMMON STOCK. INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. THE RISKS DESCRIBED BELOW ARE NOT THE ONLY ONES THAT SERENA MAY FACE. ADDITIONAL RISKS THAT ARE NOT YET IDENTIFIED OR THAT WE CURRENTLY THINK ARE IMMATERIAL MAY MATERIALLY ADVERSELY AFFECT OUR BUSINESS AND FINANCIAL CONDITION IN THE FUTURE. ANY OF THE FOLLOWING RISKS COULD MATERIALLY ADVERSELY AFFECT OUR BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION AND COULD RESULT IN A COMPLETE LOSS OF YOUR INVESTMENT.

IN THIS PROSPECTUS, WE MAKE STATEMENTS THAT RELATE TO OUR FUTURE PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS WHICH INVOLVE RISKS AND UNCERTAINTIES. THESE STATEMENTS MAY BE IDENTIFIED BY THE USE OF THE WORDS SUCH AS "EXPECTS," "ANTICIPATES," "INTENDS," "PLANS," "BELIEVES," "SEEKS," "ESTIMATES" AND SIMILAR EXPRESSIONS. OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE DISCUSSED IN THESE STATEMENTS. FACTORS THAT COULD CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED BELOW AND ELSEWHERE IN THIS PROSPECTUS.

Potential Fluctuations in Quarterly Results

Our quarterly operating results have varied greatly in the past and may vary greatly in the future depending upon a number of factors, including many that are beyond our control. Factors that may materially affect our quarterly operating results include the following, as well as others discussed in this prospectus:

- The size, timing and contractual terms of large orders for our software products - The budgeting cycles of our customers and potential customers and their willingness to invest in new SCM solutions or upgrade their existing solutions - Market demand for our software products and services, including our desktop products that are currently under development - Our ability to develop and introduce on a timely basis and to market new and enhanced versions of our software, including our desktop products currently under development - Seasonal trends in customer purchasing patterns - Activities by our competitors, including releases of new software products, changes in pricing policies and acquisitions or strategic partnership activities - Any downturn in our customers' businesses, in the domestic economy or in international economies where our customers do substantial business - Changes in the mix of software products and services sold by us, including the mix between higher margin software products and lower margin maintenance and services and the percentage of software products sold which require us to pay a royalty to a third party - Our ability to hire, integrate and retain technical, sales, marketing and professional services personnel - Risks associated with our planned international expansion, including longer sale cycles and currency fluctuations - Changes in our pricing policies resulting from competitive pressures or other factors - Cancellation of maintenance agreements by customers or any significant decrease in the percentage of customers who renew their maintenance agreements with us - Software defects and other product quality problems Our software license revenue in any quarter depends on orders booked and shipped in the last month, weeks or days of that quarter. At the end of each quarter, we typically have either minimal or no backlog of orders for the subsequent quarter. Depending on the size and complexity of the transaction, as well as the product being licensed, it typically takes from six to 18 months from the time we initially contact a potential customer to the time we complete a new license transaction. Because we do not know when, or if, our potential customers will place orders and finalize contracts, we cannot accurately predict our revenue and operating results for future quarters. If a large number of orders or several large orders did not occur or were deferred, our revenue in that quarter could be substantially reduced. This would materially adversely affect our operating results and could impair our business in future periods.

Any of the factors described above could have a material adverse effect on our business and results of operations. As a result, we believe that quarter-to-quarter comparisons of our financial results are not necessarily meaningful, and you should not rely on them as an indication of our future performance.

Seasonality

We have experienced and expect to continue to experience seasonality in sales of our software products. Our revenue and operating results in our quarter ending January 31 are typically higher relative to our other quarters, because many customers make purchase decisions based on their calendar year-end budgeting requirements. In addition, our January quarter tends to reflect the effect of the incentive compensation structure for our sales organization, which is based on satisfaction of fiscal year-end quotas. As a result, we have historically experienced a substantial decline in revenue in the first quarter of each fiscal year relative to the preceding quarter. We are also currently attempting to expand our presence in international markets, particularly in Europe. We expect our quarter ending October 31 to reflect the effects of summer slowing of international business activity and spending activity generally associated with that time of year, particularly in Europe. To the extent that our revenue in Europe or other parts of the world increase in future periods, we expect our period-to-period revenues to reflect any seasonal buying patterns in these markets.

Uncertainty as to Future Operating Results

Although SERENA has been profitable in recent years, we may not remain profitable on a quarterly or annual basis in the future. We anticipate that our expenses will increase substantially in the foreseeable future as we:

- Increase our sales and marketing activities, including expanding our United States and international direct sales forces and extending our telesales efforts - Develop our technology, including our FULL.CYCLE DESKTOP suite of SCM products for the desktop platform - Broaden our professional services offerings and delivery capabilities - Expand our distribution channels - Pursue strategic relationships and acquisitions With these additional expenses, in order to maintain our current levels of profitability, we will be required to increase our revenues correspondingly. Although our revenue has grown in recent years, we do not believe that we will maintain this rate of revenue growth. In addition, we may not experience any revenue growth in the future, and our revenue could in fact decline. Any failure to significantly increase our revenue as we implement our product, service and distribution strategies would materially adversely affect our business, operating results and financial condition.

Our professional service revenue and maintenance revenue are dependent upon the continued use of these services by our installed customer base. Any downturn in our software license revenue would have a negative impact on the growth of our professional services revenue and maintenance revenue in future quarters. The terms of our standard license arrangements provide for a one-time license fee and a prepayment of one year of software maintenance and support fees. The maintenance agreement is renewable annually at the option of the customer and there are no minimum payment obligations or obligations to license additional software. Therefore, our current customers may not necessarily generate significant maintenance revenue in future periods. In addition, our customers may not necessarily purchase additional products, upgrades or professional services.

Our efforts to expand our software product suites, sales and marketing activities, direct and indirect distribution channels and professional service offerings and to pursue strategic relationships or acquisitions may not succeed or may prove more expensive than we currently anticipate. As a result, we cannot predict our future operating results with any degree of certainty.

Dependence on Full.cycle Mainframe Products

Historically, all of our software license revenue has resulted from the sale of our FULL.CYCLE MAINFRAME products. In particular, CHANGE MAN and COMPAREX, two of our FULL.CYCLE MAINFRAME products, have been responsible for a substantial majority of our revenue. In fiscal 1997, 1998 and the six months ended July 31, 1998, sales of CHANGE MAN and COMPAREX together accounted for approximately 72%, 82% and 71% of our software license revenue, respectively. We expect that these products will continue to account for a large portion of our software license revenue for the foreseeable future. Our future operating results depend on continued market acceptance of our FULL.CYCLE MAINFRAME products, including future enhancements. Any factors adversely affecting the pricing of, demand for or market acceptance of our FULL.CYCLE MAINFRAME products, such as competition or technological change, could materially adversely affect our business and operating results.

Emerging and Evolving Scm Market

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

Dependence on Ibm and Ibm-compatible Mainframes

We are substantially dependent upon the continued use and acceptance of IBM and IBM-compatible mainframes and growth of this market. All of our software license revenue to date has been attributable to sales of our FULL.CYCLE MAINFRAME products. We expect that, for the foreseeable future, substantially all of our software license revenue will come from sales of our mainframe products. As a result, future sales of our existing products and associated maintenance revenue and professional service revenue will depend on continued use of mainframes. Recently there has been a trend away from the use of centralized mainframes in enterprise computing environments to more decentralized client/server networks. Although some IT organizations are utilizing mainframes as large enterprise servers, this practice is relatively new and still emerging. If the role of the mainframe does not increase as we anticipate, or if it in any way decreases, this would materially adversely affect our business, operating results and financial condition. Additionally, if there is a wide acceptance of other platforms or if new platforms emerge that provide enhanced enterprise server capabilities, our business and future operating results may be materially adversely affected.

Product Expansion to the Desktop Platform

We are currently developing our FULL.CYCLE DESKTOP product suite that is designed to support the desktop platform. Historically, all of our products have been designed for the mainframe platform, and all of our software license revenue, maintenance revenue and professional services revenue to date have been attributable to licenses for these mainframe products. We do not have experience developing, marketing, selling or supporting desktop products. Developing, marketing and selling our desktop products will require significant resources that we may not have. In particular, competition for experienced software engineers and sales personnel is intense, and we may not be able to hire or retain sufficient numbers of these engineers or sales personnel to successfully develop or sell our FULL.CYCLE DESKTOP products. Our sales and marketing organizations have historically focused exclusively on sales of our products for the mainframe and have limited experience marketing and selling desktop products. Additionally, we do not have any experience in providing support services for desktop products. Competition for qualified support staff is intense and if we fail to attract qualified support personnel this could impair our ability to support our FULL.CYCLE DESKTOP products. Many of our competitors have substantially greater experience providing desktop compatible software products, and many also have significantly greater financial and organizational resources than we do. If we do not successfully develop, market, sell and support our FULL.CYCLE DESKTOP products, this would materially adversely affect our business and our future operating results.

Product Development Delays

We have experienced product development delays in the past and may experience delays in the future. Difficulties in product development could delay or prevent the successful introduction or marketing of new or improved products or the delivery of new versions of our products to our customers. In

particular, we are currently developing our FULL.CYCLE DESKTOP product suite for the desktop platform. However, we do not have experience with developing applications designed for the desktop. We anticipate releasing the initial version of the first of our FULL.CYCLE DESKTOP products, DETECT+RESOLVE, in the first half of calendar 1999 and an initial version of other FULL.CYCLE DESKTOP products before the end of calendar 1999. If we should be delayed for any reason in releasing our new desktop products, this would impair our growth plans. If we are unable, for technological or other reasons, to develop and introduce new and improved products in a timely manner, including the FULL.CYCLE DESKTOP products, this could materially adversely affect our business and future operating results.

Management of Growth

Our business has grown substantially in recent periods, with total revenue increasing from $17.5 million in fiscal 1997 to $32.1 million in fiscal 1998 and from $13.0 million in the six months ended July 31, 1997 to $18.9 million for the six months ended July 31, 1998. Beginning in fiscal 1998 and continuing in fiscal 1999, we began a strategic expansion of our sales, marketing and professional service activities. In addition, the September 1998 acquisition of Optima significantly expanded the size of our sales, marketing and professional service organizations. This growth has resulted, and any future growth will result, in new and increased responsibilities for management personnel. Several of our executive officers, including our President and Chief Executive Officer, our Vice President, Finance and Chief Financial Officer, and certain other operating vice presidents have been employed by the Company for a relatively short period of time. Since joining SERENA, the new management team has devoted substantial efforts to significantly expand our sales, marketing and professional services activities. This management team has not worked together previously and may not be able to successfully implement this strategy. Such failure would materially adversely affect our business and our future operating results. Our ability to compete effectively and to manage any future growth and our future operating results will depend in part on our ability to implement and expand operational, customer support and financial control systems and to train and manage our employees. We may not be able to augment or improve existing systems and controls or implement new systems and controls in response to future growth, if any. Any failure to do so could materially adversely affect our business.

Integration of Optima Software Into Serena's Business

Our acquisition of Optima, which was completed in September 1998, will require integrating the businesses and operations of the two companies. Prior to the acquisition, Optima had been the primary distributor of the CHANGE MAN product for over ten years. As a result, Optima was responsible for a substantial portion of our software license revenues. If we do not successfully integrate Optima into our business, this may materially adversely affect our business, in particular our ability to sell CHANGE MAN to prospective customers. Additionally, we may never achieve anticipated synergies from the acquisition of Optima, including marketing, distribution or other operational benefits. Integrating

Optima into our existing business may prove difficult given that the two companies are geographically separated, have different corporate cultures and have personnel with different business backgrounds. Potential problems with this integration could include:

- The inability to retain a sufficient number of Optima's key employees, including its existing sales force and professional service personnel - Difficulties encountered standardizing sales quotas, territories and incentive compensation plans for sales personnel - The lack of focus on achieving our core business objectives if management pays excessive attention to the integration process - Impairment of relationships with clients and employees If we fail to successfully integrate the two businesses, this could materially adversely affect our business and future operating results.

Expansion of Distribution Channels

Historically, we have had a relatively small direct sales staff, and Optima served as our primary distribution channel for CHANGE MAN. Our ability to achieve revenue growth in future periods will be heavily dependent on our ability to integrate Optima's direct sales force with our business and on our success in recruiting and training sufficient direct sales personnel. We are planning to significantly expand our direct sales efforts in North America and Europe and while we are investing, and plan to continue to invest, substantial resources on this expansion, we have at times experienced, and expect to continue to experience, difficulty in recruiting and retaining qualified direct sales personnel. Competition for qualified sales personnel both in the United States and abroad is intense. In addition to expanding our direct sales efforts, we are also currently investing, and we intend to continue to invest, substantial resources in selling our products through telesales personnel. If we fail to significantly expand our direct sales and telesales force, our ability to sell our products into new markets and to increase our product penetration into our existing markets will be impaired. We also intend to extend our distribution channels by partnering with leading helpdesk management, software distribution application and system framework providers and may also attempt to develop additional sales and marketing channels through system integrators, original equipment manufacturers and other partners. Failure to expand our distribution channels through any of these means could materially adversely affect our business and our future operating results.

Expansion of Professional Services

We believe that providing high quality consulting, training, customer support and education is essential to maintaining our competitive position. In particular, consulting services and customer support are critical to our future success because the market for third party SCM solutions is still evolving, and many organizations have limited experience using third party SCM solutions. Customers have only recently begun to look to third party providers for SCM solutions as the complexity of computer networks and number of applications has increased. If we are unable to provide comprehensive consulting services and customer support to our customers and prospective customers, this may materially adversely affect our business and our ability to sell our products. We intend to

significantly expand our professional services and customer support organizations, including providing these services for both desktop and mainframe applications and systems. Competition for additional qualified technical personnel to perform these services is intense. Our existing professional services and customer support organizations may not be sufficient to manage any future growth in our business. The failure to expand our professional services and customer support organizations or to integrate Optima's professional services personnel into our professional services organization could materially adversely affect our business.

International Operations

International sales represented approximately 15% of our total revenue in both fiscal 1997 and 1998 and approximately 19% of total revenue for the six months ended July 31, 1998. Our international revenue is attributable principally to our European operations.

We intend to expand the scope of our international operations and currently have a subsidiary in the United Kingdom and are in the process of establishing another subsidiary in Germany. Our continued growth and profitability will require continued expansion of our international operations, particularly in Europe. In addition, in calendar 1999, we intend to open additional international offices, including at least one additional European office. We have only limited experience in marketing, selling and supporting our products internationally. Additionally, we do not have any experience in developing foreign language versions of our products. Such development may be more difficult or take longer than we anticipate. We may not be able to successfully market, sell, deliver and support our products internationally. If we are unable to expand our international operations successfully and in a timely manner, this could materially adversely affect our business and operating results. Such expansion will require significant management attention and financial resources. In particular, we will have to attract experienced management, marketing, sales and professional services personnel for our international offices. Competition for such personnel is intense, and we may be unable to attract qualified staff.

Our international operations are, and any expanded international operations will be, subject to a variety of risks associated with conducting business internationally that could materially adversely affect our business, including the following:

- Difficulties in staffing and managing international operations - Problems in collecting accounts receivable - Longer payment cycles - Fluctuations in currency exchange rates - Seasonal reductions in business activity during the summer months in Europe and certain other parts of the world - Recessionary environments in foreign economies - Increases in tariffs, duties, price controls or other restrictions on foreign currencies or trade barriers imposed by foreign countries

Currency Fluctuations

A majority of our international business is conducted in foreign currencies, principally the British pound. Fluctuations in the value of foreign currencies relative to the U.S. dollar have caused and will continue to cause currency transaction gains and losses. We cannot predict the effect of exchange rate fluctuations upon future operating results. We may experience currency losses in the future. To date, we have not adopted a hedging program to protect SERENA from risks associated with foreign currency fluctuations.

Competition

The market for our products is highly competitive and diverse. The technology for SCM products may change rapidly. New products are frequently introduced, and existing products are continually enhanced. Competitors vary in size and in the scope and breadth of the products and services that they offer. Many of our current and potential competitors have greater financial, technical, marketing and other resources than we do. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the development, promotion and sale of their products than we can. We may not be able to compete successfully against current and future competitors.

EXISTING COMPETITION. We face competition from a number of sources, including:

- Customers' internal IT departments - Providers of SCM products that compete directly with CHANGE MAN and COMPAREX such as Computer Associates, PLATINUM technology, IBM and smaller private companies - Providers of SCM application development programmer productivity and system management products such as Compuware, IBM and smaller private companies FUTURE COMPETITION Barriers to entry in the software market are relatively low. As a result, we may face competition in the future from established companies who have not previously entered the mainframe SCM market or from emerging software companies. These companies may not only develop their own mainframe SCM solutions, but they may also acquire or establish cooperative relationships with our current competitors, including cooperative relationships between large, established companies and smaller private companies. Because larger companies have significant financial and organizational resources available, they may be able to quickly penetrate the mainframe SCM market through acquisitions or strategic relationships and may be able to leverage the technology and expertise of smaller companies and develop successful SCM products for the mainframe. We expect that the software industry, in general, and providers of SCM solutions, in particular, will continue to consolidate. It is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. Increased competition may materially adversely affect our business due to price reductions, reduced gross margins and reduction in market share.

Our ability to sell our products also depends, in part, on the compatibility of our products with other third party products, particularly those provided by IBM. Developers of these third party products may change their products so that they will no longer be compatible with our products. These third party

developers may also decide to bundle their products with other SCM products for promotional purposes. If that were to happen, our business and future operating results may be materially adversely affected.

We anticipate that we will also face significant competition as we develop, market and sell our FULL.CYCLE DESKTOP products. We do not have experience in developing, selling, marketing or supporting desktop products since all of our products to date have been designed to support the mainframe. Penetrating the existing desktop SCM market will be difficult. Competitors in the desktop market include PLATINUM technology, Micro Focus/INTERSOLV, Microsoft, Novadigm, Novell, Rational Software and other smaller private companies. If we are unable to successfully penetrate the desktop SCM market, our business and future operating results will be materially adversely affected.

Customer Use of Scm Products for Specific Business Issues

We have derived a portion of our recent software license revenue and professional services revenue from products designed to help customers resolve SCM q problems for specific business issues. This is particularly true for our STARTOOL and STARWARP products. We expect that current and future customers may continue to adopt our products selectively to resolve specific SCM issues, such as those related to Year 2000 remediation and European Monetary Union ("EMU") conversion. Market acceptance of our products and services will depend, in large part, on whether customers use our products as part of their overall IT management strategy in addition to using them to resolve SCM problems related to specific business issues. Market acceptance of our products to address general IT business needs as well as to resolve specific business issues, such as Year 2000 remediation or EMU conversion, is critical to our business and future success. If customers do not expand their use of our products, implement new software products introduced by us or do not use our related maintenance and support services to address their general IT business requirements as well as specific issues, this will materially adversely affect our business and our ability to sell our products.

Reliance on Licensed or Joint-owned Technology

STARTOOL AND STARWARP. We license our STARTOOL and STARWARP products on an exclusive worldwide basis from A. Bruce Leland, one of our employees. Mr. Leland holds all proprietary rights with respect to the STARTOOL and STARWARP technology, including any derivative works or enhancements of the existing STARTOOL and STARWARP products. Licenses of STARTOOL accounted for 12% of our software license revenue for fiscal 1998 and 10% of our software license revenue for the six months ended July 31, 1998. Licenses of STARWARP accounted for 9% of our software license revenue for the six months ended July 31, 1998 but did not account for any software license revenue in fiscal 1998. Although Mr. Leland has been employed with SERENA since February 1989, Mr. Leland may not remain with SERENA in the future. We pay royalties of approximately 36% on net revenue recognized from license and maintenance agreements related to STARTOOL and STARWARP. Our licenses for these products are terminable by Mr. Leland upon 30 days notice in the

event certain conditions occur, including our failure to pay royalties to Mr. Leland on a timely basis or any other material breach by us of the license agreement. The termination of our licenses for the STARTOOL or STARWARP products would materially adversely affect our business, operating results and financial condition. Should the licenses for the STARTOOL and STARWARP products terminate, we may not be able to replace the functionality of these products. In addition, we may not be able to continue to develop enhancements for these products. If we are unable to replace the functionality of these products or are unable to provide product enhancements to existing STARTOOL and STARWARP customers, this could materially adversely affect our business, operating results and financial condition.

SYNCTRAC. We share ownership rights in our SYNCTRAC technology for mainframe platforms with High Power Software ("HPS"). Sales of SYNCTRAC accounted for 3% of our software license revenue in fiscal 1998 and 4% of our software license revenue in the six months ended July 31, 1998. HPS receives 50% of all software license revenue and maintenance revenue derived from licenses of the SYNCTRAC product for mainframe platforms. Although we have historically had primary responsibility for marketing, licensing and supporting SYNCTRAC, HPS has the ability to jointly direct these efforts. If in the future we are unable to reach agreement with HPS on the direction or evolution of the product, our ability to market or promote the product would be compromised. This could have a material adverse effect on our business, operating results and financial condition.

Lengthy Sales Cycles

Our sales cycle typically takes six to 18 months to complete and varies from product to product. The length of the sales cycle may vary depending on a number of factors over which we may have little or no control, including the size of a potential transaction and the level of competition that we encounter in our selling activities. Additionally, the emerging market for SCM products and services contributes to the lengthy sales process in that during the sales cycle we often have to teach potential customers about the use and benefits of our products. In certain circumstances, we license our software to customers on a trial basis to assist the customers in their evaluation of our products. Our sales cycle can be further extended for product sales made through third party distributors. Any delay in the sales cycle of a large license or a number of smaller licenses could result in significant fluctuations in our quarterly operating results.

Dependence on Key Personnel

Our success will depend to a significant extent on the continued service of our senior executives and certain other key employees, including certain sales, consulting, technical and marketing personnel. In particular, we have historically relied on the experience and dedication of our product authors. None of our senior management or key employees, including key product authors, has long term employment agreements with SERENA. In addition, we do not maintain key man life insurance on our employees and have no plans to do so. If we lost the services of one or more of our key executives or employees,

including if one or more of our executive officers, employees or product authors decided to join a competitor or otherwise compete directly or indirectly with SERENA, this could materially adversely affect our business.

Ability to Recruit Personnel

EXECUTIVE OFFICERS AND KEY PERSONNEL. Our future success will likely depend in large part on our ability to attract and retain additional experienced sales, technical, marketing and management personnel. Competition for such personnel in the computer software industry is intense, and in the past we have experienced difficulty in recruiting qualified personnel, especially developers and sales personnel. We expect competition for qualified personnel to remain intense, and we may not succeed in attracting or retaining such personnel. If we do not, this could materially adversely affect our business. In addition, new employees generally require substantial training in the use of our products. This training will require substantial resources and management attention.

INTERNATIONAL OPERATIONS. We intend to expand the scope of our international operations and these plans will require us to attract experienced management, service, marketing, sales and support personnel for our international offices. Competition for such personnel is intense, and we may not be able to attract or retain such experienced personnel.

NON-U.S. CITIZENS WORKING IN THE UNITED STATES. To achieve our business objectives, we may recruit and employ skilled technical professionals from other countries to work in the United States. Limitations imposed by federal immigration laws and the availability of visas could materially adversely affect our ability to attract necessary qualified personnel. This may have a material adverse effect on our business and future operating results.

Control by Existing Stockholders

Upon completion of this offering, SERENA's officers, directors and persons or entities directly related to these individuals will together beneficially own approximately 65.2% of the outstanding shares. In particular, Douglas D. Troxel, SERENA's founder, the Chairman of its board of directors and its Chief Technology Officer, will own approximately 57.4% of the outstanding shares. As a result, Mr. Troxel, in particular, and SERENA's officers and directors, in general, will be able to control most matters requiring stockholder approval. These matters would include the election of SERENA directors and any approval of potential mergers, consolidations or sales of all or substantially all of the assets of SERENA. The ability of SERENA's officers and directors to prevent a potential change of control event may discourage potential bids to acquire SERENA unless the terms of acquisition are approved by these stockholders.

Year 2000 Risks

Many computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, many companies' software and computer systems may need to be upgraded or replaced in order to comply with such Year 2000 requirements.

In the ordinary course of our business, we test and evaluate our software products. We believe that our software products are generally Year 2000 compliant, meaning that the use or occurrence of dates on or after January 1, 2000 will not materially affect the performance of our software products or the ability of our products to correctly create, store, process and output information of data involving dates. However, we may learn that certain of our software products do not contain all necessary software routines and codes necessary for the accurate calculation, display, storage and manipulation of data involving dates. In addition, in certain cases, we have warranted that the use or occurrence of dates on or after January 1, 2000 will not adversely affect the performance of our products with respect to four digit date dependent data or the ability to create, store, process and output information related to such data. If any of our licensees experience Year 2000 problems as a result of their use of our software products, those licensees could assert claims for damages.

We use third party equipment and software that may not be Year 2000 compliant. We are conducting a review of products provided by outside vendors to determine if their products are Year 2000 compliant. This review has not been completed. However, we have sought assurances from the suppliers of all third party software that we believe is critical to our business that their software is Year 2000 compliant. If this third party equipment or software does not operate properly with regard to the Year 2000, we may incur unexpected expenses to remedy any problems. These costs may materially adversely affect our business. In addition, if our key systems, or a significant number of our systems, failed as a result of Year 2000 problems we could incur substantial costs and disruption of our business. We may also experience delays in implementing Year 2000 compliant software products.

We are still reviewing the impact the Year 2000 issue will have on our internal software and information systems. We plan to take necessary actions based on the results of such analysis. We have not yet determined the costs related to achieving Year 2000 compliance. To date our costs have not been material, and we do not expect that such costs will be material in the future. If these costs are material, they will materially adversely affect our business.

In addition, the purchasing patterns of our customers and potential customers may be affected by Year 2000 issues. Many companies are spending significant resources to correct their current software systems for Year 2000 compliance. While sales of certain of our products, in particular STARTOOL, STARWARP and COMPAREX, have benefited from increased customer spending on Year 2000 readiness, we believe sales of our other FULL.CYCLE MAINFRAME products have been and will continue to be adversely affected by customer focus on Year 2000 issues. Market acceptance of our products to address general IT business needs as well as resolution of specific business issues such as Year 2000 readiness is critical to our business and future success.

Evolving Technology Standards

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

Dependence on Proprietary Technology

Our success will be heavily dependent upon proprietary technology. We rely primarily on a combination of patent, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary rights. Such means of protecting our proprietary rights may not be adequate. We submitted four patent applications for our technology in 1998, and each of these applications is still pending. These patents may never be issued. Even if these patents are issued, they may not provide sufficiently broad protection or they may not prove enforceable in actions against alleged infringers. Despite precautions that we take, it may be possible for unauthorized third parties to copy aspects of our current or future products or to obtain and use information that we regard as proprietary. In particular, we may provide our licensees with access to our data model and other proprietary information underlying our licensed applications. Additionally, our competitors may independently develop similar or superior technology. Policing unauthorized use of software is difficult and some foreign laws do not protect our proprietary rights to the same extent as United States laws. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of resources and could materially adversely affect our business, operating results, and financial condition.

Risks of Infringement

Third parties may claim that our current or future products infringe their proprietary rights. In September 1998, Compuware Corporation filed a lawsuit against us alleging copyright infringement, trade secret misappropriation and various tort claims related to the sale of our STARTOOL and

STARWARP products. Due to the nature of litigation generally and because the lawsuit is at an early stage, we cannot ascertain the availability of injunctive relief or other equitable remedies or estimate the total expenses, possible damages or settlement value, if any, that may ultimately be incurred with Compuware's claim. See "Business--Litigation." We may receive additional claims in the future, and any such claims could affect our relationships with existing customers and may prevent future customers from licensing our products. Because we are dependent upon a limited number of products, any such claims, including the Compuware claim, with or without merit, could be time consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty or licensing agreements. Royalty or license agreements may not be available on acceptable terms or at all. We expect that software product developers will increasingly be subject to infringement claims as the number of products and competitors in the software industry segment grows and the functionality of products in different industry segments overlaps. As a result of these factors, infringement claims could materially adversely affect our business.

Product Errors

Because our software products are complex, they often contain errors or "bugs" that can be detected at any point in a product's life cycle. While we continually test our products for errors and work with customers through our customer support services to identify and correct bugs in our software, we expect that errors in our products will continue to be found in the future. Although many of these errors may prove to be immaterial, certain of these errors could be significant. Detection of any significant errors may result in, among other things, loss of, or delay in, market acceptance and sales of our products, diversion of development resources, injury to our reputation, or increased service and warranty costs. In the past we have discovered errors in certain of our products and have experienced delays in shipment of our products during the period required to correct these errors. In addition, in certain cases we have warranted that our products will operate in accordance with specified customer requirements. If our products fail to conform to such specifications, customers could demand a refund for the software license fee paid to us or assert claims for damages.

Product Liability

Our license agreements with our customers typically contain provisions designed to limit exposure to potential product liability claims. Such limitation of liability provisions may, however, not be effective under the laws of certain jurisdictions to the extent local laws treat certain warranty exclusions as unenforceable. Although we have not experienced any product liability claims to date, the sale and support of our products entail the risk of such claims. In particular, issues relating to Year 2000 compliance have increased awareness of the potential adverse effects of software defects and malfunctions. We may be subject to such claims in the future. While we carry insurance covering such liability, such policies may not provide sufficient protection should a claim be asserted. A material product liability claim could materially adversely affect our business.

Risks Associated with Potential Future Acquisitions

In the future we may make acquisitions of, or large investments in, businesses that offer products, services and technologies that we believe would help us better provide SCM products and services or help us expand our distribution channels. However, we may not be able to complete any such additional acquisitions in the future. Any future acquisitions or investments would present risks commonly encountered in acquisitions of businesses. The following are examples of such risks:

- Difficulty in combining the technology, operations or work force of the acquired business - Disruption of SERENA's on-going businesses - Difficulty in realizing the potential financial or strategic benefits of the transaction - Difficulty in maintaining uniform standards, controls, procedures and policies - Possible impairment of relationships with employees and clients as a result of any integration of new businesses and management personnel We expect that future acquisitions, if any, could provide for consideration to be paid in cash, shares of SERENA common stock, or a combination of cash and SERENA common stock. If the consideration for such transaction is paid in common stock, this would further dilute existing stockholders. Any amortization of goodwill or other assets resulting from such acquisition transaction could materially impair our operating results and financial condition. If such an acquisition or large investments were to take place, the risks described above could materially adversely affect our business and future operating results.

Undesignated Preferred Stock

Upon completion of the offering, SERENA's board of directors will have the authority to issue up to 5,000,000 shares of preferred stock in one or more series. The board of directors can fix the price, rights, preferences, privileges and restrictions of such preferred stock without any further vote or action by SERENA's stockholders. The issuance of preferred stock allows SERENA to have flexibility in connection with possible acquisitions and other corporate purposes. However, the issuance of shares of preferred stock may delay or prevent a change in control transaction without further action by the SERENA stockholders. As a result, the market price of the SERENA common stock and the voting and other rights of the holders of SERENA common stock may be adversely affected. The issuance of preferred stock may result in the loss of voting control to others. SERENA has no current plans to issue any shares of preferred stock.

Antitakeover Effects of Certain Charter Provisions

Certain provisions of SERENA's charter documents will specify certain procedures for nominating directors and submitting proposals for consideration at stockholder meetings. Such provisions are intended to increase the likelihood of continuity and stability in the composition of the SERENA board of directors and in the policies set by the board. These provisions also discourage certain types of transactions, which may involve an actual or threatened change of control transaction. These provisions are designed to reduce the vulnerability of SERENA to an unsolicited acquisition proposal.

As a result, these provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. These provisions are also intended to discourage certain tactics that may be used in proxy fights. However, they could have the effect of discouraging others from making tender offers for SERENA's shares. As a result, these provisions may prevent the market price of SERENA common stock from reflecting the effects of actual or rumored takeover attempts. These provisions may also prevent changes in the management of SERENA.

Antitakeover Effects of Delaware Law

SERENA will be subject to the antitakeover provisions of the Delaware General Corporation Law, which regulates corporate acquisitions. The Delaware law prevents certain Delaware corporations, which will include SERENA, from engaging, under certain circumstances, in a "business combination" with any "interested stockholder" for three years following the date that such stockholder became an interested stockholder. For purposes of Delaware law, a "business combination" includes, among other things, a merger or consolidation involving SERENA and the interested stockholder and the sale of more than 10% of SERENA's assets. In general, Delaware law defines an "interested stockholder" as any entity or person beneficially owning 15% or more of the outstanding voting stock of a corporation and any entity or person affiliated with or controlling or controlled by such entity or person. Under Delaware law, a Delaware corporation may "opt out" of the antitakeover provisions. SERENA does not intend to "opt out" of these antitakeover provisions of Delaware Law.

Shares Eligible for Future Sale

Sales of a substantial number of shares of SERENA's common stock in the public market following this offering could materially adversely affect the market price for such stock. The number of shares of common stock available for sale in the public market is limited by restrictions under federal securities law and under certain agreements that SERENA's stockholders have entered into with the underwriters. Those agreements restrict SERENA's stockholders from selling, pledging or otherwise disposing of their shares for a period of 180 days after the date of this prospectus without the prior written consent of Hambrecht & Quist LLC. Hambrecht & Quist LLC may, however, in its sole discretion, release all or any portion of the common stock from the restrictions of the lockup agreements.

Based on shares of SERENA common stock outstanding as of the date of this prospectus, as a result of the restrictions of federal securities law and the agreements SERENA's stockholders have entered into with the underwriters, no shares other than the 6,000,000 shares offered hereby will be eligible for sale on the date of this prospectus. Approximately 16,516,750 of the restricted shares will become eligible for sale 180 days after the date of this prospectus when the underwriters' restrictions on selling, pledging or otherwise disposing shares of common stock are released. Of the 16,516,750 shares that will be eligible for sale 180 days after the date of this prospectus, 1,896,750 shares were issued to certain officers and directors of the Company pursuant to restricted stock agreements under the 1997

Plan of which approximately 782,391 shares will remain subject to stock repurchase rights in favor of the Company at the 180th day should such officers or directors terminate their relationship with SERENA. These repurchase rights will lapse ratably over time. In addition to the restricted shares described above, approximately 1,687,500 shares, all of which were issued in connection with our September 1998 acquisition of Optima, will become available for sale in the public market at various times after the 180th day following the date of this prospectus in accordance with federal securities law. Most of the restricted shares that will become eligible for sale at the 180th date after the date of this prospectus or afterward will be subject to certain volume limitations because they will be held by affiliates of SERENA.

On or prior to the 180th day following the date of this prospectus, we intend to register under the federal securities laws an additional 4,925,000 shares of common stock previously issued or reserved for issuance under our 1997 Plan, our 1999 Director Option Plan and our 1999 Employee Stock Purchase Plan. These registered shares will include 1,896,750 shares of common stock previously issued to certain officers and directors of the Company under restricted stock agreements pursuant to the 1997 Plan. Of the shares issuable upon exercise of outstanding options to be registered, approximately 253,267 shares will be vested and eligible for sale on the 180th date following the date of this prospectus. In addition, at the 180th day 1,114,359 shares issued pursuant to restricted stock agreements under the 1997 Plan will no longer be subject to repurchase rights in favor of SERENA under those restricted stock agreements and such shares will be eligible for resale.

Immediate and Substantial Dilution

The initial public offering price is substantially higher than the book value per share of common stock. Investors purchasing common stock in this offering will, therefore, incur immediate dilution of $ in net tangible book value per share of common stock. This dilution figure deducts the estimated underwriting discounts and commissions and estimated offering expenses payable by SERENA from the initial public offering price. Investors will incur additional dilution upon the exercise of outstanding stock options.

No Prior Market

Before this offering there has not been a public market for our common stock. The initial public offering price will be determined by negotiations between SERENA and the representatives of the underwriters. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price. An active public market for SERENA common stock may not develop or be sustained after this offering. The market price of the common stock may decline below the initial public offering price.

Possible Volatility of Stock Price

Future announcements concerning SERENA or our competitors could cause the market price of the common stock to fluctuate greatly. These type of announcements may include information concerning:

- Any shortfall in revenues or net income from revenues or net income expected by securities analysts - Announcements of new products by SERENA or our competitors - Quarterly fluctuations in our financial results or the results of other software companies, including those of our direct competitors - Changes in analysts' estimates of our financial performance, the financial performance of our competitors, or the financial performance of software companies in general - Changes in prices for our products or the products of our competitors - Changes in our revenue growth rates or the growth rates of our competitors - Sales of large blocks of SERENA common stock - Conditions in the financial markets in general and to software industry in particular In addition, stock prices and trading volumes for many technology companies fluctuate widely for reasons which may be unrelated to their business or results of operations. These fluctuations, as well as general economic, market and political conditions, could materially adversely affect the market price of a common stock.

Discretion as to Use of Proceeds

Our primary purpose is to create a public market for our common stock. As of the date of this prospectus, we do not plan to use the proceeds from this offering other than for working capital and general corporate purposes. We may also use the proceeds in future strategic acquisitions of, or investments in, businesses that offer products, services and technologies that further our ability to provide SCM products and services to businesses or increase our ability to sell our products and services to new markets. Accordingly, SERENA will have broad discretion as to the use of the proceeds from this offering. Until the need arises to use the proceeds, we plan to invest the net proceeds in investment grade, interest-bearing securities.

Forward Looking Statements

Certain statements under the captions "Prospectus Summary," "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," and elsewhere in this prospectus are "forward-looking statements." Such forward-looking statements include, without limitation, statements about the Company's plans, objectives, expectations and intentions and other statements contained in the prospectus that are not historical facts. When used in this prospectus, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are generally intended to identify forward-looking statements. Because such 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 such forward-looking statements, including the Company's plans, objectives, expectations and intentions and other factors discussed under "Risk Factors."

Use of Proceeds

SERENA will receive net proceeds of $ from the sale of 4,000,000 shares of common stock (and an additional $ from the sale of 900,000 shares if the underwriters' over-allotment option is exercised in full) at an assumed initial public offering price of $ per share after deducting underwriting commissions and discounts of $ (and an additional $ if the underwriters' over-allotment option is exercised in full) and expenses of $. SERENA will not receive any proceeds from the sale of common stock by the selling stockholders.

The principal purpose of this offering is to create a public market for the common stock of SERENA. We intend to use the proceeds of the offering for working capital, general corporate purposes and potential strategic investments or acquisitions that complement our products, services, technologies or distribution channels. Pending such uses, we intend to invest the net proceeds of the initial public offering in investment grade interest-bearing securities.

Dividend Policy

SERENA has never declared or paid any cash dividends on shares of its common stock. We intend to retain any future earnings for future growth and do not anticipate paying any cash dividends in the foreseeable future.

Capitalization

The following table sets forth the capitalization of the Company at (a) July 31, 1998, after giving effect to a three-for-two stock split effected in July 1998 and a three-for-two stock split effected in November 1998, (b) the pro forma total capitalization to reflect the issuance of 3,187,500 shares of common stock in connection with the September 1998 Optima acquisition, and (c) as adjusted to give effect to the Company's receipt of the estimated net proceeds from the sale of 4,000,000 shares of common stock offered by the Company hereby at an assumed initial public offering price of $ per share and the application of the net proceeds therefrom. The capitalization information set forth in the table below is qualified by, and should be read in conjunction with, the more detailed Consolidated Financial Statements of SERENA and notes thereto and the Pro Forma Condensed Consolidated Financial Statements and notes thereto appearing elsewhere in this prospectus.

JULY 31, 1998 ACTUAL PRO FORMA AS ADJUSTED (IN THOUSANDS)

Stockholders' equity:			
Preferred Stock, $0.001 par value, 5,000,000 shares authorized; no shares issued and outstanding, actual, pro forma and as adjusted	$ --	$ --	$ --
Common Stock: $0.001 par value, 60,000,000 shares authorized; 17,016,750 issued and outstanding, actual; 20,204,250 shares issued and outstanding, pro forma; 24,204,250 shares issued and outstanding, as adjusted (1)	17	21	
Additional paid-in capital	5,601	21,535	
Notes receivable from stockholders	(1,922)	(1,922)	

Deferred stock-based compensation	(1,958)	(1,958)	
Accumulated other comprehensive losses	(28)	(28)	
Retained earnings	9,306	9,306	
Total stockholders' equity and capitalization	$ 11,016	$ 26,954	$

(1) Based upon shares outstanding as of July 31, 1998. Includes 1,896,750 shares issued under restricted stock agreements under the 1997 Plan. Excludes 2,153,250 shares of common stock that were reserved for issuance upon exercise of stock options under the 1997 Plan as of July 31, 1998, of which 801,360 options were outstanding at such date at a per share weighted average exercise price of $3.59. In addition, in connection with this offering, our board of directors has approved (i) an increase of 500,000 shares for options under the 1997 Plan; (ii) a reserve of 150,000 shares for options to be granted under the 1999 Director Option Plan; and (iii) a reserve of 225,000 shares for options to be granted under the 1999 Employee Stock Purchase Plan. See "Management--Incentive Stock Plans," "Description of Capital Stock" and Notes 6 and 9 of Notes to Consolidated Financial Statements of SERENA.

Dilution

The pro forma net tangible book value of the Company as of July 31, 1998, assuming the acquisition of Optima on that date, was $10.9 million, or approximately $0.64 per share. Pro forma net tangible book value per share represents the amount of the Company's total assets less total liabilities, divided by the pro forma number of shares of common stock outstanding. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in the offering made hereby and the pro forma net tangible book value per share of common stock immediately after the completion of this offering. After giving effect to the sale of the 4,000,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $ per share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by the Company, the pro forma net tangible book value of the Company at July 31, 1998 would have been $, or approximately $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $ per share to new investors of common stock in this offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$
Net pro forma tangible book value per share as of July 31, 1998	$ 0.64	
Increase in pro forma net tangible book value per share attributable to new investors		
Pro forma net tangible book value per share after offering		
Dilution in pro forma net tangible book value per share to new investors		$

The following table sets forth, on a pro forma basis as of July 31, 1998, the differences between the number of shares of common stock purchased from the Company, the total effective cash consideration paid and the average price per share paid by existing holders of common stock and by

the new investors, before deducting underwriting discounts and commissions and estimated offering expenses payable by the Company, at an assumed public offering price of $ per share.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders (1).....	20,204,250	83.5%	$ 373	%	$ 0.00
New investors (1).....	4,000,000	16.5			
Total.....	24,204,250	100.00%	$	100.0%	

The foregoing computations assume no exercise of options after July 31, 1998. Excludes 2,153,250 shares of common stock that were reserved for issuance upon exercise of stock options under the 1997 Plan as of July 31, 1998, of which 801,360 options were outstanding at such date at a per share weighted average exercise price of $3.59. Includes 1,896,750 shares issued under restricted stock agreements under the 1997 Plan. In addition, connection with this offering the board of directors approved (i) an increase of 500,000 shares reserved for future issuance under the 1997 Plan; (ii) 150,000 shares reserved for future issuance under the 1999 Director Option Plan; and (iii) 225,000 shares reserved for future issuance under the 1999 Employee Stock Purchase Plan. To the extent that any shares are issued upon exercise of options that are presently outstanding or granted in the future, or reserved for future issuance under the Company's stock plans, there will be further dilution to new investors. "Management--Incentive Stock Plans," "Description of Capital Stock" and Notes 6 and 9 of Notes to Consolidated Financial Statements of SERENA.

(1) Sales by the selling stockholders in this offering will reduce the number of shares of common stock held by existing stockholders to 18,204,500 or approximately 75.2% (approximately 72.5%, if the Underwriters' over-allotment option is exercised in full) of the total number of shares of common stock outstanding upon the closing of this offering and will increase the number of shares held by new public investors to 6,000,000 or approximately 24.8% (6,900,000 shares, or approximately 27.5%, if the Underwriters' over-allotment option is exercised in full) of the total number of shares of common stock outstanding after this offering. See "Principal and Selling Stockholders."

Selected Consolidated Financial Data

The following selected historical consolidated financial data presented below are derived from the consolidated financial statements of SERENA Software, Inc. and its subsidiaries. The financial statements for each of the three years ended January 31, 1998 have been audited by KPMG Peat Marwick LLP, independent auditors. The selected historical consolidated financial data as of July 31, 1998 and for the six months ended July 31, 1997 and 1998 have been derived from unaudited consolidated financial statements that include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, that the Company considers necessary for a fair presentation of the Company's results of operations for that period. The statement of income unaudited pro forma financial information below has been derived from the unaudited Pro Forma Condensed Combined Financial Statements included elsewhere in this prospectus. The pro forma statement of income data give effect to SERENA's September 1998 acquisition of Optima as if the

acquisition had occurred at the beginning of the earliest period presented, February 1, 1997. The selected unaudited pro forma financial information below does not represent what SERENA's results of operations would have been if the Optima acquisition had occurred on the date indicated, or the results of operations of SERENA and Optima as a combined company for any future period. The selected consolidated financial data set forth below is qualified in its entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements of SERENA and Optima and notes thereto and the Unaudited Pro Forma Condensed Combined Financial Statements and notes thereto included elsewhere in this prospectus. The operating results for the periods presented are not necessarily indicative of the results to be expected for the full fiscal year or any other period.

	FISCAL YEAR ENDED JANUARY 31,						SIX MONTHS ENDED JULY 31,	
					1998			
	1994	1995	1996	1997	ACTUAL	PRO FORMA (1)	1997	ACTUAL	PRO FORMA (1)
	(IN THOUSANDS, EXCEPT PER SHARE DATA)								
CONSOLIDATED STATEMENT OF INCOME DATA:									
Revenue:									
Software licenses	$ 3,055	$ 3,627	$ 4,606	$ 8,229	$ 17,839	$ 22,962	$ 6,504	$9,988	$ 11,722
Maintenance	3,171	4,141	5,679	8,730	12,258	12,691	5,688	7,735	8,430
Professional service	160	370	459	495	2,050	5,662	787	1,193	3,132
Total revenue	6,386	8,138	10,744	17,454	32,147	41,315	12,979	18,916	23,284
Operating expenses:									
Cost of revenue	2,006	2,951	3,330	5,207	6,813	8,985	2,872	3,816	5,183
Sales and marketing	1,354	1,866	2,505	4,605	7,947	11,598	3,538	5,707	7,042
Research and development	1,539	1,837	2,998	4,321	5,518	5,518	2,369	2,073	2,073
General and administrative	935	1,312	1,727	2,296	3,296	5,577	1,328	1,692	2,080
Stock-based compensation	--	--	--	--	880	880	--	1,558	1,558
Amortization of intangible assets	--	--	--	--	--	1,546	--	--	523
Total operating expenses	5,834	7,966	10,560	16,429	24,454	34,104	10,107	14,846	18,459
Operating income	552	172	184	1,025	7,693	7,211	2,872	4,070	4,825
Interest and other income, net	--	93	160	115	321	343	130	343	343
Income before income									

taxes................	552	265	344	1,140	8,014	7,554	3,002	4,413	5,168
Income taxes...........	36	10	66	278	3,253	3,650	1,081	1,942	2,421
Net income.............	$ 516	$ 255	$ 278	$ 862	$ 4,761	$ 3,904	$ 1,921	$2,471	$ 2,747
Net income per share:									
Basic................	$ 0.03	$ 0.02	$ 0.02	$ 0.05	$ 0.31	$ 0.21	$ 0.12	$ 0.16	$ 0.15
Diluted..............	$ 0.03	$ 0.02	$ 0.02	$ 0.05	$ 0.31	$ 0.21	$ 0.12	$ 0.15	$ 0.14
Shares used to compute net income per share:									
Basic................	15,750	15,750	15,750	15,750	15,248	18,436	15,376	15,639	18,827
Diluted..............	15,750	15,750	15,750	15,750	15,272	18,460	15,376	16,361	19,549

	JANUARY 31,					JULY 31, 1998
	1994	1995	1996	1997	1998	ACTUAL
	(IN THOUSANDS)					
CONSOLIDATED BALANCE SHEET DATA:						
Cash and cash equivalents..............................	$ 708	$ 1,953	$ 2,840	$ 4,031	$ 9,024	$ 15,665
Working capital..	472	434	429	618	6,942	10,889
Total assets...	2,734	4,327	6,717	9,233	20,567	25,095
Total liabilities and deferred revenue.................	2,054	3,400	5,508	7,187	13,582	14,079
Total shareholders' equity.............................	$ 680	$ 927	$ 1,209	$ 2,046	$ 6,985	$ 11,016

Pro Forma (1)

CONSOLIDATED BALANCE SHEET DATA:	
Cash and cash equivalents..............................	$ 15,633
Working capital..	10,478
Total assets...	42,872
Total liabilities and deferred revenue.................	15,918
Total shareholders' equity.............................	$ 26,954

(1) For purposes of the pro forma condensed combined statements of income, SERENA's consolidated statement of income for the fiscal year ended January 31, 1998 has been combined with Optima's consolidated statement of income for the fiscal year ended December 31, 1997 and SERENA's consolidated statement of income for the six month period ended July 31, 1998 has been combined with Optima's consolidated statement of income for the six month period ended July 31, 1998, giving effect to the Optima acquisition as if it had occurred on February 1, 1997. For pro forma balance sheet purposes, SERENA's consolidated balance sheet as of July 31, 1998 has been combined with the consolidated balance sheet of Optima as of July 31, 1998, giving effect to the Optima acquisition as if it had occurred on such date.

Management's Discussion and Analysis of Financial Condition and Results of Operations

THE FOLLOWING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE COMPANY SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS OF SERENA AND THE NOTES THERETO AND THE PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED ELSEWHERE IN THIS PROSPECTUS. THIS DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS BASED UPON CURRENT EXPECTATIONS THAT INVOLVE RISKS AND UNCERTAINTIES, SUCH AS THE COMPANY'S PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS. THE COMPANY'S ACTUAL RESULTS AND THE TIMING OF CERTAIN EVENTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING THOSE SET FORTH UNDER "RISK FACTORS," "BUSINESS" AND ELSEWHERE IN THIS PROSPECTUS.

Overview

SERENA is a leading provider of software change management ("SCM") products and services for managing and controlling change throughout the software application life cycle. The Company was founded in 1980 and introduced its first SCM product, COMPAREX, in 1981. Since then, the Company has developed a full suite of FULL.CYCLE MAINFRAME products, including its flagship product CHANGE MAN, which was introduced in 1988.

Prior to fiscal 1998, the Company focused primarily on product development while relying on third party distributors for the majority of the Company's sales, marketing and professional services activities. In fiscal 1998, the Company hired a President and Chief Executive Officer who initiated a strategic expansion of the Company's sales, marketing and professional service capabilities. This strategic expansion includes hiring additional direct sales personnel, initiating a telesales effort, recruiting additional third party distributors and increasing its professional services staff. The Company also broadened its professional management team to implement and manage the strategic expansion initiatives. See "Risk Factors--Management of Growth."

In September 1998, the Company acquired Optima Software, Inc. ("Optima") the primary distributor of the Company's flagship CHANGE MAN product for over ten years. This acquisition significantly expands the Company's professional services and sales and marketing capabilities and enables the Company to market CHANGE MAN as part of the FULL.CYCLE MAINFRAME product suite. The Optima acquisition was accounted for under the purchase method of accounting and the results of operations of Optima will be included in the Company's historical results after the acquisition date. The pro forma results of operations include the historical financial statements of the Company and those of Optima and give effect to the acquisition as if it had occurred on February 1, 1997, the beginning of the earliest pro forma period presented. Any failure to successfully integrate Optima into

the Company's business could have a material adverse effect on the Company's business, operating business and future operating results. See "Risk Factors--Integration of Optima Software into SERENA's Business."

The Company has grown rapidly in recent years as total revenue has increased from $6.4 million in fiscal 1994 to $32.1 million in fiscal 1998. The growth in total revenue has been primarily attributable to increased demand for the Company's FULL.CYCLE MAINFRAME products as a result of greater awareness of and need for third party SCM solutions. The Company derives its revenue from software licenses, maintenance and professional services.

Currently, all of the Company's software license revenue is derived from its FULL.CYCLE MAINFRAME products. Customers typically purchase the FULL.CYCLE MAINFRAME products under Million Instructions Per Second (MIPS)-based, perpetual licenses. Initial license transactions generally include one year of software maintenance and support. Revenue from license agreements, excluding maintenance revenue included with the license, is recognized upon receipt and acceptance of a signed contract and delivery of the software, provided the related fee is fixed and determinable, collectibility of the revenue is probable and the arrangement does not involve significant customization of the software. Software license revenue is particularly dependent on new licenses of the Company's CHANGE MAN and COMPAREX products. In fiscal 1997, 1998 and in the six months ended July 31, 1998, sales of CHANGE MAN and COMPAREX together accounted for approximately 72%, 82% and 71% of the Company's software license revenue, respectively. Any factors adversely affecting the pricing of, demand for or market acceptance of the Company's FULL.CYCLE MAINFRAME products, such as competition or technological change, could materially adversely affect the Company's business, operating results and financial condition. See "Risk Factors--Dependence on FULL.CYCLE MAINFRAME Products."

The Company also provides ongoing maintenance, which includes technical support, version upgrades and enhancements, for an annual fee of approximately 17% of the current list price of the licensed product. The Company recognizes maintenance revenue over the term of the contracts, typically one year, on a straight-line basis. Over 95% of the Company's customers who were eligible to renew their maintenance agreements in calendar year 1997 did so. There can be no assurance that the Company will maintain this rate of renewal. See "Risk Factors--Uncertainty as to Future Operating Results." Professional services revenue are derived from the Company's SER(POWER) consulting and educational services, including implementation and integration of licensed software, specialized consulting services such as "best practices" design, development and deployment of SCM solutions, and education courses for the Company's products. The Company's professional services are typically billed on a time and materials basis and revenue is recognized as the related services are performed.

Historically, the Company's revenue has primarily been attributable to sales in North America. In fiscal 1997, 1998 and the six months ended July 31, 1998, revenue attributable to sales in North America accounted for approximately 85%, 85% and 81% of the Company's total revenue, respectively. The Company plans to expand its international operations significantly, particularly in Europe, as it believes international markets represent a significant growth opportunity. Consequently, the Company

anticipates that international revenue will increase as a percentage of total revenue in the future. The Company's expansion of its international operations will be subject to a variety of risks that could materially adversely affect the Company's business operating results and financial condition. See "Risk Factors--International Operations." In North America, the Company's revenue is generally denominated in United States dollars while international sales are generally denominated in local currencies, principally the British pound. As the Company's international sales and operations expand, it anticipates that its exposure to foreign currency fluctuations will increase. See "Risk Factors--Currency Fluctuations."

Maintenance revenue and professional services revenue have lower operating margins than software license revenue. In addition, the Company licenses the technology for its STARTOOL and STARWARP products and jointly owns the technology for its SYNCTRAC product and consequently has royalty obligations on the revenue it recognizes in connection with license and maintenance transactions involving these products. As a result, the Company's license revenue for its STARTOOL, STARWARP and SYNCTRAC products has a lower operating margin than license revenue from other products. The Company expects operating expenses to increase substantially in the future as the Company continues to develop new and enhanced versions of its products, including its FULL.CYCLE DESKTOP product suite, increase its sales and marketing activities, expand its distribution channels, increase its professional services capabilities and pursue strategic relationships and acquisitions. Any failure by the Company to significantly increase revenue as the Company implements these initiatives would materially adversely affect the Company's business, operating results and financial condition. See "Risk Factors--Uncertainty as to Future Operating Results."

Historical Results of Operations

The following table sets forth the historical results of operations for the Company expressed as a percentage of total revenue. The Company's historical operating results are not necessarily indicative of the results for any future period and do not give effect to the acquisition of Optima.

	PERCENTAGE OF REVENUE				
	FISCAL YEAR ENDED JANUARY 31,			SIX MONTHS ENDED JULY 31,	
	1996	1997	1998	1997	1998
CONSOLIDATED STATEMENT OF INCOME DATA					
Revenue:					
Software licenses	42.8%	47.2%	55.5%	50.1%	52.8%
Maintenance	52.9	50.0	38.1	43.8	40.9
Professional services	4.3	2.8	6.4	6.1	6.3
Total revenue	100.0	100.0	100.0	100.0	100.0
Operating expenses:					
Cost of revenue	31.0	29.8	21.2	22.1	20.2
Sales and marketing	23.3	26.4	24.7	27.3	30.2
Research and development	27.9	24.8	17.2	18.3	11.0
General and administrative	16.1	13.1	10.3	10.2	8.9
Stock-based compensation	--	--	2.7	--	8.2
Total operating expenses	98.3	94.1	76.1	77.9	78.5
Operating income	1.7	5.9	23.9	22.1	21.5
Interest and other income, net	1.5	0.6	1.0	1.0	1.8

Income before income taxes.....	3.2	6.5	24.9	23.1	23.3
Income taxes.....	0.6	1.6	10.1	8.3	10.3
Net income.....	2.6%	4.9%	14.8%	14.8%	13.0%

Comparison of Six Months Ended July 31, 1997 and 1998

Revenue

The Company derives revenue from software licenses, maintenance and professional services. The Company's total revenue increased 46% from $13.0 million for the six months ended July 31, 1997 to $18.9 million for the six months ended July 31, 1998.

SOFTWARE LICENSES. Software license revenue increased 54% from $6.5 million for the six months ended July 31, 1997 to $10.0 million for the six months ended July 31, 1998, representing 50% and 53% of total revenue, respectively. The increase in software license revenue is generally attributable to increased demand for new licenses of FULL.CYCLE MAINFRAME products as a result of greater customer awareness of and need for third party SCM solutions and an increase in sales force productivity and headcount. In particular, sales of the COMPAREX product grew significantly, with software license revenue attributable to COMPAREX increasing from $2.6 million in the six months ended July 31, 1997 to $4.5 million in the six months ended July 31, 1998.

MAINTENANCE. Maintenance revenue increased 36% from $5.7 million for the six months ended July 31, 1997 to $7.7 million for the six months ended July 31, 1998, representing 44% and 41% of total revenue, respectively. The dollar increase reflects the growth in software license revenue, as new software licenses generally include one year of maintenance, renewals of maintenance agreements by existing customers and, to a lesser extent, maintenance price increases. Maintenance revenue increased at a slower rate than license revenue because license revenue is generally recognized upon contract signing and delivery of the software whereas maintenance revenue is deferred and amortized over the contractual term of the arrangement.

PROFESSIONAL SERVICES. Professional services revenue increased 52% from $0.8 million for the six months ended July 31, 1997 to $1.2 million for the six months ended July 31, 1998, representing 6% of total revenue in both periods. The dollar increase is attributable to greater consulting opportunities resulting from the Company's expanded customer base and increases in the Company's consulting service capabilities.

Operating Expenses

COST OF REVENUE. Cost of revenue consists primarily of salaries, bonuses and other headcount related costs associated with the Company's professional services and customer support organizations and royalties associated with the Company's STARTOOL, STARWARP and SYNCTRAC products. Cost of revenue was $2.9 million and $3.8 million for the six months ended July 31, 1997 and 1998,

representing 22% and 20% of total revenue, respectively. The dollar increase in cost of revenue is due primarily to increased expenses associated with professional services revenue, including headcount additions to support such revenue growth, and increased software license royalties. The decline in cost of revenue as a percentage of total revenue is attributable to the increase in higher margin software license revenue as a percentage of total revenue.

SALES AND MARKETING. Sales and marketing expenses consist primarily of salaries, commissions and bonuses as well as travel, entertainment and marketing expenses. Sales and marketing expenses were $3.5 million and $5.7 million for the six months ended July 31, 1997 and 1998, representing 27% and 30% of total revenue, respectively. These increases are due primarily to the Company's expansion of its direct sales and marketing organization in these periods and, to a lesser extent, the development of its telesales efforts. The Company expects sales and marketing expenses to increase as it continues to hire additional sales and marketing personnel as the Company transitions away from relying primarily on third parties to sell and market the Company's products.

RESEARCH AND DEVELOPMENT. Research and development expenses consist primarily of salaries, bonuses and other headcount related costs. Research and development expenses were $2.4 million and $2.1 million for the six months ended July 31, 1997 and 1998, representing 18% and 11% of total revenue, respectively. These reductions in research and development expenses are attributable principally to the restructuring of compensation arrangements with the Company's founder and Chief Technology Officer. The Company expects research and development expenses to increase as the Company continues to hire additional research and development personnel to develop its FULL.CYCLE DESKTOP product suite and its SERNET ENTERPRISE products.

GENERAL AND ADMINISTRATIVE. General and administrative expenses consist primarily of salaries, bonuses and other headcount related costs and certain non-allocable administrative costs, including legal and accounting fees and bad debts. General and administrative expenses were $1.3 million and $1.7 million for the six months ended July 31, 1997 and 1998, representing 10% and 9% of total revenue, respectively. The dollar increase is primarily related to costs associated with expansion of the Company's administrative infrastructure in order to support the Company's increased sales, marketing, consulting and maintenance activities. The Company expects general and administrative expenses to increase as the Company expands its infrastructure and incurs additional costs as a result of being a public company.

STOCK-BASED COMPENSATION. In the quarter ended January 31, 1998, the Company recorded deferred stock-based compensation of $4.0 million in connection with the issuance of restricted stock and grant of options to purchase common stock in January 1998. An additional $0.4 million of deferred stock-based compensation was recorded in the six months ended July 31, 1998 for stock-based awards granted during this period. Deferred stock-based compensation is generally being amortized over the 36 to 48 month vesting periods of the related award. This amortization is being recorded in a manner consistent with Financial Accounting Standard Board ("FASB") Interpretation No. 28. Of the total deferred stock-based compensation, approximately $1.6 million was amortized in

the six month period ended July 31, 1998. The Company expects to amortize an additional $0.9 million in the remainder of fiscal 1999, $0.8 million in fiscal 2000, $0.2 million in fiscal 2001 and $0.1 million in fiscal 2002. See Note 6 of Notes to Consolidated Financial Statements of SERENA.

Interest and Other Income, Net

Interest and other income, net is generated primarily from the interest earned on cash and cash equivalents. Interest and other income, net increased from $0.1 million in the six month period ended July 31, 1997 to $0.3 million in the six month period ended July 31, 1998, principally as the result of increased cash and cash equivalent balances in the latter period.

Income Taxes

Income taxes were $1.1 million and $1.9 million for the six months ended July 31, 1997 and 1998, respectively. The effective tax rates for the six months ending July 31, 1997 and 1998 were 36% and 44%, respectively. The increase in the effective tax rate is primarily due to the $1.6 million in nondeductible stock-based compensation. This nondeductible expense will decline ratably over the next three years.

Comparison of Fiscal Years Ended January 31, 1996, 1997 and 1998

Revenue

The Company's total revenue was $10.7 million, $17.5 million and $32.1 million in fiscal 1996, 1997 and 1998, respectively, representing year-to-year increases of 62% between 1996 and 1997 and 84% between 1997 and 1998.

SOFTWARE LICENSES. Software license revenue was $4.6 million, $8.2 million and $17.8 million in fiscal 1996, 1997 and 1998, representing 43%, 47% and 56% of total revenue, respectively. The increases are generally attributed to increased demand for new licenses of FULL.CYCLE MAINFRAME products as a result of greater customer awareness of and need for third party SCM solutions.

MAINTENANCE. Maintenance revenue was $5.6 million, $8.7 million and $12.3 million in fiscal 1996, 1997 and 1998, representing 53%, 50% and 38% of total revenue, respectively. The dollar increases reflect both growth in software license revenue, as new licenses generally include one year of maintenance, renewals of maintenance agreements by existing customers and, to a lesser extent, maintenance price increases. Maintenance revenue decreased as a percentage of total revenues due to

the growth in software license revenue which is generally recognized upon contract signing and delivery of the software whereas maintenance revenue is deferred and amortized over the contractual term of the arrangement, usually one year.

PROFESSIONAL SERVICES. Professional services revenue was $0.5 million, $0.5 million and $2.0 million in fiscal 1996, 1997 and 1998, representing 4%, 3% and 6% of total revenue, respectively. The dollar increases are attributable to greater consulting opportunities resulting from the Company's larger installed customer base and expanded Company's consulting service capabilities.

Operating Expenses

COST OF REVENUE. Cost of revenue was $3.3 million, $5.2 million and $6.8 million in fiscal 1996, 1997 and 1998, representing 31%, 30% and 21% of total revenue, respectively. The dollar increases are due primarily to increased expenses associated with professional services revenue and maintenance revenue, including personnel additions to support professional services and maintenance revenue growth, and software license royalties. The decrease in cost of revenue as a percentage of total revenues in fiscal 1998 from prior years is due in part to the $0.3 million and $1.3 million in fees paid by the Company in fiscal 1996 and 1997, respectively, to complete the termination of a third party distributor agreement for the Company's COMPAREX product. The decrease in cost of revenue as a percentage of total revenue is also attributable to the increase in higher margin software license revenue as a percentage of total revenue.

SALES AND MARKETING. Sales and marketing expenses were $2.5 million, $4.6 million and $7.9 million in fiscal 1996, 1997 and 1998, representing 23%, 26% and 25% of total revenue, respectively. The dollar increases in each fiscal year are due primarily to the Company's expansion of its sales organization which began in fiscal 1998. The dollar increase from fiscal 1996 to fiscal 1997 is attributable to increased salaries, commissions and profit sharing expenses and additional marketing expenses.

RESEARCH AND DEVELOPMENT. Research and development expenses were $3.0 million, $4.3 million and $5.5 million in fiscal 1996, 1997 and 1998, representing 28%, 25% and 17% of total revenue, respectively. The dollar increases in each fiscal year are due primarily to increased headcount related costs, including profit sharing expenses and increased bonus compensation to the Company's founder and Chief Technology Officer and, to a lesser extent, costs associated with the evaluation of third party software products. Research and development expenses have decreased as a percentage of total revenue as the Company's revenue has continued to increase at a faster rate than research and development expenses have increased.

GENERAL AND ADMINISTRATIVE. General and administrative expenses were $1.7 million, $2.3 million and $3.3 million in fiscal 1996, 1997 and 1998, representing 16%, 13% and 10% of total revenue, respectively. The dollar increases in each fiscal year are primarily due to headcount related costs associated with expansion of the Company's administrative infrastructure in order to support the

Company's increased sales, marketing, professional services and maintenance activities. The decrease in general and administrative expenses as a percentage of total revenue is principally attributable to the Company's revenue growth during this period.

STOCK-BASED COMPENSATION. In the quarter ended January 31, 1998, the Company recorded aggregate deferred stock-based compensation of $4.0 million in connection with the issuance of restricted stock and grant of options to purchase common stock in January 1998. Deferred stock-based compensation is generally being amortized over the 36 to 48 month vesting periods of the related awards. This amortization is being recorded in a manner consistent with FASB Interpretation No. 28. Of the total deferred stock-based compensation, approximately $0.9 million was amortized in fiscal 1998.

Interest and Other Income, Net

Interest and other income, net was $0.2 million, $0.1 million and $0.3 million in fiscal 1996, 1997 and 1998, respectively. Interest and other income, net has fluctuated from period to period based on the Company's cash balances.

Income Taxes

Income taxes were $0.1 million, $0.3 million and $3.3 million for fiscal 1996, 1997 and 1998, respectively. The effective tax rate was 19%, 24% and 41% in fiscal 1996, 1997 and 1998, respectively. The Company's effective income tax rate has historically benefited from the United States research and experimentation tax credit and tax benefits generated from export sales made from the United States. The Company's effective income tax rate has increased year over year predominantly due to higher marginal tax rates resulting from substantially higher pretax profits and the recording of $0.9 million in nondeductible stock-based compensation recorded in the fourth quarter of fiscal 1998.

Selected Unaudited Pro Forma Quarterly Results of Operations

The following table sets forth selected unaudited pro forma condensed combined statement of income data for the six quarters ended July 31, 1998, both in dollar amounts and as a percentage of revenue. This information has been derived from the Company's unaudited pro forma condensed combined statements of income, giving effect to the Optima acquisition as a purchase as if such acquisition had occurred as of February 1, 1997. This data should be read in conjunction with the unaudited Pro Forma Combined Condensed Financial Statements for the year ended January 31, 1998 and six months ended July 31, 1998 and the notes thereto included elsewhere in this prospectus. For pro forma purposes, SERENA's consolidated statement of operations for each of the six quarters ended July 31, 1998 give effect to the Optima acquisition as if it had occurred on February 1, 1997. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the

results of operations or financial condition that would have been reported if the Optima acquisition had been consummated at the beginning of the earliest period indicated or that SERENA or the combined company may report in the future.

	QUARTER ENDED					
	APR. 30, 1997	JUL. 31, 1997	OCT. 31, 1997	JAN. 31, 1998	APR. 30, 1998	JUL. 31, 1998
	(IN THOUSANDS)					
Revenue:						
Software licenses	$ 3,514	$ 4,591	$ 5,009	$ 9,848	$ 5,097	$ 6,625
Maintenance	2,774	3,013	3,275	3,629	3,953	4,477
Professional services	893	1,384	1,560	1,825	1,785	1,347
Total revenue	7,181	8,988	9,844	15,302	10,835	12,449
Operating expenses:						
Cost of revenue	1,527	2,223	2,391	2,844	2,412	2,771
Sales and marketing	2,424	2,628	2,505	4,041	3,097	3,945
Research and development	1,053	1,316	1,406	1,743	1,000	1,073
General and administrative	1,116	1,099	1,018	2,344	1,013	1,067
Stock-based compensation	--	--	--	880	906	652
Amortization of intangible assets	462	462	311	311	261	262
Total operating expenses	6,582	7,728	7,631	12,163	8,689	9,770
Operating income	599	1,260	2,213	3,139	2,146	2,679
Interest and other income, net	72	57	88	126	150	193
Income before income taxes	671	1,317	2,301	3,265	2,296	2,872
Income taxes	415	651	956	1,628	1,076	1,345
Net income	$ 256	$ 666	$ 1,345	$ 1,637	$ 1,220	$ 1,527

As a Percentage of Total Revenues

Revenue:						
Software licenses	48.9%	51.1%	50.9%	64.4%	47.0%	53.2%
Maintenance	38.7	33.5	33.3	23.7	36.5	36.0
Professional services	12.4	15.4	15.8	11.9	16.5	10.8
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0
Operating expenses:						
Cost of revenue	21.3	24.7	24.3	18.6	22.2	22.3
Sales and marketing	33.8	29.3	25.4	26.4		

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28.6         31.7
  Research and development.....................        14.7         14.7         14.3         11.4
9.2          8.6
  General and administrative...................        15.5         12.2         10.3         15.3
9.4          8.6
  Stock-based compensation.....................          --           --           --          5.8
8.4          5.2
  Amortization of intangible assets............         6.4          5.1          3.2          2.0
2.4          2.1
    Total operating expenses...................        91.7         86.0         77.5         79.5
80.2         78.5
Operating income...............................         8.3         14.0         22.5         20.5
19.8         21.5
Interest and other income, net.................         1.0          0.6          0.9          0.8
1.4          1.6
Income before income taxes.....................         9.3         14.6         23.4         21.3
21.2         23.1
Income taxes...................................         5.8          7.2          9.7         10.6
9.9         10.8
Net income.....................................         3.5%         7.4%        13.7%        10.7%
11.3%        12.3%
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Pro Forma Quarterly Results

The Company's software license revenue for the quarter ended January 31, 1998 reflects $2.5 million in revenue from a large licensing transaction with one customer. Professional services revenue for the quarters ended January 31, 1998 and April 30, 1998 reflect increased consulting services resulting from a single consulting arrangement. Research and development expenses in the pro forma quarterly results do not differ substantially on a dollar basis from the Company's historical results because Optima operated as a third-party reseller, marketing and consulting organization which did not undertake any research and development efforts. Operating expenses also include the amortization of intangibles associated with the purchase accounting treatment of the Optima acquisition totaling $16.2 million, of which $0.6 million and $1.3 million will be amortized in fiscal 1999 and 2000, respectively. The remaining $14.3 million will be amortized on a straight-line basis thereafter. The Company's actual financial statements will reflect the amortization of these intangibles beginning with the effective date of the Optima acquisition. Quarterly results beginning with the quarter ended January 31, 1998 also include stock-based compensation incurred in connection with the issuance of restricted stock and the grant of certain stock options. The pro forma effective tax rate reflects the nondeductibility of the amortization of goodwill associated with the Optima acquisition and the stock-based compensation.

The Company's quarterly operating results have varied significantly in the past and may vary significantly in the future depending on a number of factors, many of which are beyond the Company's control. These factors include, among others, the size, timing and contractual terms of large orders for the Company's products; the budgeting cycles of the Company's customers and potential customers; market demand for the Company's software products and services; the Company's ability to develop, introduce and market new and enhanced versions of its software on a timely basis; the timing and significance of new software product announcements or releases by the Company or its competitors; changes in pricing policies by the Company or its competitors; issues related to the Company's planned

international expansion; the mix of software license revenue and professional services revenue; and the rate of customer renewal of maintenance agreements. In additon, license revenues in any quarter are substantially dependent on orders booked and shipped in the last month or weeks of that quarter. Due to these and other factors, quarterly revenues and operating results are not predictable with any significant degree of accurancy. See "Risk Factors--Potential Fluctuations in Quarterly Results."

The Company experienced and expects to continue to experience seasonality in sales of its software products. The Company's revenue and operating results in the quarter ending January 31 are typically higher relative to other quarters, because many customers make purchase decisions based on their calendar year-end budgeting requirements. In addition, the January quarter tends to reflect the effect of the incentive compensation structure for the Company's sales organization, which is based on satisfaction of fiscal year-end quotas. As a result, the Company has historically experienced a substantial decline in revenue in the first quarter of each fiscal year relative to the preceding quarter. The Company is currently attempting to expand its presence in international markets, particularly in Europe. The Company expects the quarter ending October 31 to reflect the effects of summer slowing of international business activity and spending activity generally associated with that time of year, particularly in Europe. To the extent that the Company's revenue in Europe or other parts of the world increase in future periods, the Company expects its period-to-period revenue to reflect any seasonal buying patterns in these markets.

Liquidity and Capital Resources

Since its inception, the Company has financed its operations and met its capital expenditure requirements through cash flows from operations. At July 31, 1998, the Company had $15.7 million in cash and cash equivalents. Cash flows provided by operating activities were $1.5 million, $2.6 million, $5.7 million and $7.3 million in fiscal 1996, 1997 and 1998, and the six months ended July 31, 1998, respectively. The Company's cash flows provided by operating activities exceeded net income during each of these periods principally due to cash collections in advance of revenue recognition for maintenance contracts and the inclusion of noncash expenses, such as depreciation and stock-based compensation in net income, partially offset by growth in accounts receivable during most periods. Cash used in investing activities were predominantly related to the purchase of computer equipment and office furniture and equipment and totaled $0.6 million, $1.4 million, $0.0 million and $0.7 million in fiscal 1996, 1997 and 1998, and the six months ended July 31, 1998, respectively. Cash used in financing activities related to the repurchase of common stock in fiscal 1997 from a founder and totaled $0.7 million in fiscal 1998. There were no financing activities in fiscal 1996 or 1997 or, as of the date of this prospectus, in fiscal 1999.

At July 31, 1998, the Company did not have any material commitments for capital expenditures and has no revolving credit agreement or other term loan agreements with any bank or other financial institution.

At July 31, 1998, the Company had working capital of $10.9 million and accounts receivable, net of allowances, of $6.2 million. Total deferred revenue increased to $9.5 million at July 31, 1998 from $7.9 million at January 31, 1998 primarily as a result of increased billings of maintenance fees.

The Company believes that the net proceeds from the offering and cash from operations will satisfy the Company's working capital and capital expenditure requirements for at least the next twelve months.

Effect of Recent Accounting Pronouncements

The FASB recently issued Statement of Financial Accounting Standards ("SFAS") No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS No. 133 addresses the accounting for derivative instruments, including derivative instruments embedded in other contracts. Under SFAS No. 133, entities are required to carry all derivative instruments in the balance sheet at fair value. The accounting for changes in the fair value (i.e. gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. The Company must adopt SFAS No. 133 by October 1, 1999. The Company does not anticipate that SFAS No. 133 will have an impact on its financial statements.

Year 2000 Compliance

Many computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, many companies' software and computer systems may need to be upgraded or replaced in order to comply with such Year 2000 requirements.

In the ordinary course of its business, the Company tests and evaluates its software products. The Company believes that its software products are generally Year 2000 compliant, meaning that the use or occurrence of dates on or after January 1, 2000 will not materially affect the performance of such software products or the ability of such products to correctly create, store, process and output information of data involving dates. However, the Company may learn that certain of its software products do not contain all necessary software routines and codes necessary for the accurate calculation, display, storage and manipulation of data involving dates. In addition, in certain cases, the Company has warranted that the use or occurrence of dates on or after January 1, 2000 will not adversely affect the performance of its products with respect to four digit date dependent data or the ability to create, store, process and output information related to such data. If any of the Company's licensees experience Year 2000 problems as a result of their use of the Company's software products, those licensees could assert claims for damages.

The Company uses third party equipment and software that may not be Year 2000 compliant. The Company is conducting a review of products provided by outside vendors to determine if their products are Year 2000 compliant. This review has not been completed. However, the Company has

sought assurances from the suppliers of all third party software that the Company believes is critical to its business that their software is Year 2000 compliant. If this third party equipment or software does not operate properly with regard to the Year 2000, the Company may incur unexpected expenses to remedy any problems. Such costs may materially adversely affect the Company's business, operating results and financial condition. In addition, if the Company's key systems, or a significant number of its systems, failed as a result of Year 2000 problems the Company could incur substantial costs and disruption of its business. The Company may also experience delays in implementing Year 2000 compliant software products.

The Company is still reviewing the impact the Year 2000 issue will have on its internal software and information systems. The Company plans to take necessary actions based on the results of such analysis. The Company has not yet determined the costs related to achieving Year 2000 compliance. To date such costs have not been material, and the Company does not believe such costs will be material in the future. If these costs are material, they will materially adversely affect the Company's business, operating results and financial condition.

In addition, the purchasing patterns of the Company's customers and potential customers may be affected by Year 2000 issues. Many companies are spending significant resources to correct their current software systems for Year 2000 compliance. While sales of certain of the Company's products, in particular STARTOOL, STARWARP and COMPAREX, have benefited from increased customer spending on Year 2000 readiness, the Company believes sales of its other FULL.CYCLE MAINFRAME products have been and will continue to be adversely affected by customer focus on Year 2000 issues. Market acceptance of the Company's products to address general IT business needs as well as resolution of specific business issues such as Year 2000 readiness is critical to the Company's business and future success.

Business

THE FOLLOWING BUSINESS SECTION CONTAINS FORWARD-LOOKING STATEMENTS RELATING TO FUTURE EVENTS OR THE FUTURE FINANCIAL PERFORMANCE OF THE COMPANY, WHICH INVOLVES RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING THOSE SET FORTH UNDER "RISK FACTORS" AND ELSEWHERE IN THIS PROSPECTUS.

Overview

The Company is a leading provider of software change management ("SCM") products and services for managing and controlling change throughout the software application life cycle. In the Company's 18 year history, the Company has developed substantial technological expertise in the design and implementation of robust, flexible and reliable SCM solutions. The Company's SCM solutions are designed to improve customer's return on information technology ("IT") IT investment by increasing

programmer productivity and reducing application development and IT infrastructure maintenance costs. As of October 31, 1998, the Company's products have been installed in over 2,000 data centers worldwide and its customers include 36 of the Fortune 50 companies such as Chase Manhattan, Citigroup, General Electric, IBM, MetLife, Merrill Lynch and Prudential.

Industry Background

The evolution of enterprise computing from centralized, mainframe-based computing to distributed, client/server computing has added substantial complexity in recent years to the management of IT infrastructures. Today's IT environment is characterized by distributed information systems, applications and networks, comprising a wide range of hardware platforms, operating systems, databases, development tools, networking protocols, and packaged and internally developed software. This distributed computing environment has fueled a proliferation of applications disseminated throughout the enterprise as departments and individual users have been empowered to independently sponsor applications. These often disparate applications must be continually maintained and often reprogrammed to be compatible with emerging technologies. The advent of the Internet, intranets and extranets has added further complexity by stimulating the development of new applications, extending the reach of applications throughout and beyond the enterprise while introducing additional networking requirements.

In connection with the developments associated with the distributed computing environment, the mainframe has continued to be a critical component of IT infrastructures. Many IT organizations maintain mission-critical applications on the mainframe because of its unmatched performance, reliability and security. International Data Corporation ("IDC"), a leading IT research firm, reports in a recent survey that a majority of IT system managers surveyed will continue to deploy new applications on mainframes when appropriate. In addition, the exponential growth of Internet-based applications has fueled a dramatic increase in the volume of traffic and transactions processed, requiring extensive processing capacity and high levels of availability. IT managers are realizing the benefits of reinvesting in mainframes to address the need for high performance servers as Internet usage increases.

Successful management of IT infrastructures requires the ability to manage rapid and unpredictable technological change within increasingly complex and heterogeneous computing environments. Business issues such as competitive pressures, short time-to-market windows, regulatory changes and Year 2000 and European Monetary Union ("EMU") conversions introduce additional requirements for change within IT infrastructures.

A key challenge for IT organizations is managing software change throughout the enterprise, including new version releases, "bug fixes," upgrades and application introductions. Any software change, if not managed effectively, has the potential to cause system outages or corrupt data which could result in disruption throughout the enterprise and lost business. For example, a single, undetected error in a software update could have catastrophic results in such mission-critical systems as airline flight

planning and securities trading. Change in software applications can occur at all phases of the software application life cycle, from design and analysis to development, through testing, production and into post-deployment support and maintenance.

Policies and practices for managing and controlling change throughout the software application life cycle include: (a) tracking and auditing application modifications; (b) integrating application components throughout the development, testing and production processes; (c) managing multiple application versions to ensure the integrity of changes; (d) managing concurrent development efforts by parallel programming teams; (e) identifying and implementing common changes across applications and systems; (f) establishing approval and dependency processes; (g) controlling the deployment of applications into the existing IT environment; (h) linking the pre- and post-deployment phases through sophisticated feedback loops; and (i) controlling application restoration and de-installation.

Historically, organizations have attempted to address their SCM requirements internally either with paper based, manually implemented policies and procedures or by developing their own software solutions. These internal solutions generally require substantial IT resources, have lengthy implementation cycles, frequently fail and are not cost effective. To overcome the costs and risks associated with internally developed software change management solutions, many organizations are now seeking commercially developed SCM solutions that enable them to cost effectively manage and control change throughout the software application life cycle and across the enterprise. The Company believes sophisticated SCM solutions are required as organizations face increasingly complex and distributed IT infrastructures, limited IT resources, remote IT project teams and tight budget constraints. Ovum, a provider of independent IT computing research, estimates that the global market for SCM products and services in 1998 will exceed $1 billion and will grow at a compound annual rate of 34% to reach $3.4 billion by 2002. The Company believes that a successful SCM solution must incorporate broad functionality and flexibility, be easy to use and implement, promote best practices development and implementation and improve return on IT investment.

The Serena Solution

SERENA provides a full suite of software change management products and services for managing and controlling change throughout the software application life cycle. Throughout its 18 year history, the Company has developed substantial technological expertise in the design and implementation of robust, flexible and reliable SCM solutions. The Company's FULL.CYCLE MAINFRAME products have been installed in more than 2,000 data centers worldwide and its customers include 36 of the Fortune 50 companies. This product suite automates the management of the software application life cycle and creates an IT environment that facilitates parallel development efforts, improves process consistency, enhances software integrity and protects valuable software assets. In addition, the adaptability of the Company's FULL.CYCLE MAINFRAME product suite combined with the Company's comprehensive SER(POWER) consulting services enable customers to customize the

Company's products to fully address their specific SCM requirements. The Company's products and services are designed to improve customers' return on IT investments by increasing programmer productivity and reducing application development and IT infrastructure maintenance costs.

BROAD FUNCTIONALITY. The Company's FULL.CYCLE MAINFRAME product suite provides customers with a wide range of SCM functionality for large scale, complex computing environments. This product suite supports a comprehensive set of software application development and life cycle management functions, including change detection and tracking through application development, testing and production; concurrent development, merging and reconciliation capabilities; impact analysis; online approvals; test data generation; test results comparison; and file and data management and synchronization.

HIGH LEVEL OF ADAPTABILITY, EASE OF USE AND IMPLEMENTATION. The FULL.CYCLE MAINFRAME product suite provides configuration flexibility to enable easy and quick implementation within customers' IT environments. This product suite integrates with existing IT applications, systems, development tools, operating systems, databases, programming languages, security systems, libraries and inventory lists. The FULL.CYCLE MAINFRAME products are highly adaptable to customer's SCM processes and procedures and can be customized for specific customer requirements. In contrast, the Company believes that most other commercially available SCM products are inflexible and require IT organizations to modify their current IT environments, requiring substantial IT resources and lengthy implementation cycles.

COMPREHENSIVE CONSULTING SERVICES. The Company complements its product offerings with its comprehensive SER(POWER) consulting services, which leverage the Company's expertise in the design and implementation of SCM solutions. Through the identification of products, methods and procedures that address specific customer SCM requirements, the Company's consultants help clients design and implement best practice change and configuration management.

IMPROVED RETURN ON IT INVESTMENT. The FULL.CYCLE MAINFRAME product suite automates the software application life cycle, streamlining the process of administering change and moving changes through an IT organization and allowing incremental changes to be efficiently processed. By managing and controlling change more effectively and efficiently, the FULL.CYCLE MAINFRAME product suite enables customers to reduce application development costs and improve the quality of new releases by quickly implementing applications, reducing programmer downtime, shortening approval time, eliminating manual errors and improving application testing and debugging.

Strategy

The Company's objective is to be the leader in providing SCM products and services for managing and controlling change throughout the software application life cycle and across the enterprise. Key components of the Company's strategy include:

MAINTAIN TECHNOLOGY LEADERSHIP. The Company is a technology leader in providing robust, flexible and reliable SCM solutions for the mainframe. To strengthen and extend the Company's SCM solutions, the Company plans to continue to invest in research and development to expand the features and functionality of its mainframe product suite.

EXTEND SCM SOLUTIONS ACROSS THE ENTERPRISE. The Company is developing FULL.CYCLE DESKTOP, an integrated SCM product suite for the desktop, which will incorporate the proprietary technology and expertise found in the Company's FULL.CYCLE MAINFRAME products. The Company anticipates introducing the first of its FULL.CYCLE DESKTOP products, DETECT+RESOLVE, in the first half of calendar 1999 and plans to release an initial version of other FULL.CYCLE DESKTOP products by the end of calendar 1999. Additionally, the Company intends to use its SERNET technology to link the Company's SCM solutions across customers' mainframe and desktop environments. The Company plans to enhance its mainframe and desktop product suites by adding new features and integrating its solutions with leading help desk, software distribution and management frameworks in order to link the Company's SCM solutions to the post-deployment phase of the software application life cycle.

LEVERAGE CUSTOMER BASE. The Company's software products have been installed in over 2,000 data centers worldwide, and its customers include 36 of the Fortune 50 companies. Most of the Company's customers are large, sophisticated organizations with complex information systems in distributed computing environments. The Company intends to make additional sales of its products, options and services to its existing customers to help them meet their changing SCM requirements and expanding computer capacity needs. In particular, the Company plans to broaden its telesales efforts to reduce sales cycles and provide a more rapid response to customer product requests.

CONTINUE TO EXPAND PROFESSIONAL SERVICES OFFERINGS. The complex and strategic nature of software change management provides the Company with a significant opportunity to consult with customers to help them successfully develop, implement and execute the Company's and SCM solutions. The Company intends to expand its SER(POWER) professional services offerings for the mainframe to include services for applications and systems on the desktop platform.

EXPAND GLOBAL SALES. The Company believes that international markets and companies within the Global 2000 represent a significant growth opportunity as businesses increasingly recognize the need for effective SCM solutions. The Company intends to expand the scope of its international operations, particularly in Europe, and has established a subsidiary in the United Kingdom and is in the process of establishing an additional subsidiary in Germany.

PURSUE STRATEGIC RELATIONSHIPS AND ACQUISITIONS. The Company continues to pursue strategic relationships that will augment or expand the Company's SCM product offerings and distribution channels. In particular, the Company intends to extend its product offerings and distribution channels by partnering with leading help desk management, software distribution and system framework providers. In addition, the Company intends to evaluate strategic acquisition or investment opportunities for products and technologies that complement or extend its existing product suites or that offer access to additional distribution channels. The acquisition of Optima, for

example, significantly broadens the Company's professional services and sales and marketing organizations and enables the Company to market CHANGE MAN as part of its FULL.CYCLE MAINFRAME product suite.

Products

The Company develops, markets and supports a full suite of mainframe SCM products for managing and controlling change throughout the software application life cycle. SERENA's current product offerings support the industry standard IBM mainframe platforms, including MVS, and are marketed under the brand name FULL.CYCLE MAINFRAME. This product suite automates the software application life cycle and creates an IT environment that facilitates parallel development efforts, improves process consistency, enhances software integrity and protects valuable software assets. The Company's products significantly improve programmer productivity, reduce software application development costs and improve customers' return on IT investments.

In addition, the Company is developing a SCM product suite for the desktop environment that will support Microsoft Windows 95/98/NT desktop platforms. These products will be marketed under the brand name FULL.CYCLE DESKTOP. Together the FULL.CYCLE MAINFRAME and FULL.CYCLE DESKTOP products will be marketed under the brand name FULL.CYCLE ENTERPRISE.

Customers typically purchase the Company's FULL.CYCLE MAINFRAME products under MIPS-based, perpetual licenses. List prices for the Company's FULL.CYCLE MAINFRAME products, which include one year of software maintenance and support, range from $20,000 to $800,000.

The following products comprise the FULL.CYCLE Mainframe product suite:

Year Product

PRODUCT NAME	FIRST INTRODUCED	LAST RELEASED	BRIEF DESCRIPTION
CHANGE MAN	1988	1997	Provides automated infrastructure to control and manage software change
COMPAREX	1981	1998	Performs data comparison for application testing and software quality
CDF	1994	1997	Merges versions of programs to enable concurrent development
STARTOOL	1989	1998	Facilitates complex file and data management tasks
STARWARP	1997	1998	Addresses data aging problems by converting data to new formats
SYNCTRAC	1993	1998	Detects, tracks and synchronizes changes in MVS data sets

CHANGE MAN, the Company's flagship product, is a comprehensive SCM solution that provides an automated infrastructure to help customers manage and control change throughout the software application life cycle. CHANGE MAN manages change by coupling application development and production control. It provides developers and their managers with the assurance of technological control and integrity throughout the development process enabling them to focus on software quality and production reliability. CHANGE MAN automates the entire software application life cycle,

providing impact analysis, version control, promotion of fixed code into production, online management of approvals and authorizations, management of parallel development efforts, code freezing to prevent further development while testing, auditing and automating the backout of changes. By using CHANGE MAN customers can improve programmer productivity, reduce production downtime, ensure approval integrity, improve application availability, accommodate multiple testing levels, eliminate manual errors and shorten approval time. CHANGE MAN is a flexible, compatible SCM solution that supports multiple operating systems and database platforms and integrates easily with customers' existing IT environments by using standard IBM programming languages, working with existing customer security systems, libraries and inventory lists.

COMPAREX is a comparison SCM product used for efficient application testing and software quality assurance. COMPAREX performs fast, accurate, single-step comparisons of the contents of libraries, directories, files or databases by performing line-by-line byte-level comparisons. It supports a variety of data types, provides sophisticated comparison algorithms for both data and text, minimizes the scope of comparisons by utilizing keywords to compare specific portions of a file, provides direct interfaces to most major databases, and produces detailed reports on the comparison differences. COMPAREX provides increased flexibility, accuracy and control of change testing by enabling the comparison of data in dissimilar positions, providing single-step direct database comparisons, eliminating time-consuming manual change verifications and providing detailed audit trails. Its flexibility to handle any type of comparison problem enables COMPAREX to be used in the testing and validation phase of a wide range of application development projects, including Year 2000 and EMU conversions.

CONCURRENT DEVELOPMENT FACILITY (CDF) facilitates the management of multiple versions of software by providing a comprehensive comparison tool that can merge up to eight versions of source code into a single version, and produces a report that compares the different versions and clearly identifies differences and conflicts. CDF can reduce application development costs by enabling parallel programming teams to work on the same parts of an application concurrently. By merging the different versions of a program's source code to provide a consolidation of each team's changes, CDF greatly reduces implementation time and improves the quality of new releases. CDF can be closely integrated with CHANGE MAN to provide enhanced concurrent development capabilities.

STARTOOL is used for complex file and data management tasks and has extensive editing tools. STARTOOL provides a comprehensive workbench of utilities that may be used for application and system testing or conversion and recovery support. STARTOOL enables users to locate and replace data and data sets, automatically track changes to applications or systems, recreate lost source code and diagnose and map recovery strategies for file-related problems. STARTOOL expedites the testing of modified programs by creating test data without requiring the rewrite or debugging of one-time programs or the use of batch utilities.

STARWARP addresses data aging by providing a method for converting or "warping" data stored in a particular format, including dates, currency and other business fields into new formats. For example, STARWARP enables over 400 date fields to be converted into new formats to resolve Year 2000 issues.

STARWARP minimizes the need to write batch programs for each file-aging situation and enables programmers to create test data by automating the process of specifying default values for data fields.

SYNCTRAC detects, tracks and synchronizes change in multiple environments to improve system integrity and recoverability. SYNCTRAC provides centralized control to software change implementation and distribution after applications are initially deployed. SYNCTRAC speeds development and problem resolution by detecting, reporting and recovering from changes across local and remote environments. SYNCTRAC provides configuration security for the production environment by using fingerprinting technology to audit and track changes enabling system programmers to repair unauthorized changes and to facilitate the replication of authorized changes to remote environments.

Products Under Development

The Company is leveraging the proprietary technology and expertise incorporated in its mainframe SCM product suite to develop an integrated SCM product suite for the desktop. The Company's FULL.CYCLE DESKTOP product suite will support the Windows 95/98/NT desktop platforms and is designed to be integrated with leading third party software distribution, desktop management and help desk software products. With its FULL.CYCLE MAINFRAME and FULL.CYCLE DESKTOP product suites, the Company will be able to provide customers a complete SCM solution across an IT enterprise. DETECT+RESOLVE, the first of the Company's FULL.CYCLE DESKTOP products, will remotely detect software configuration problems on the desktop and resolve the problems automatically over the network with functionality similar to SYNCTRAC. The FULL.CYCLE DESKTOP product suite will also include a comprehensive desktop SCM product with functionality similar to CHANGE MAN; a comparison product used for efficient application testing and software quality assurance with functionality similar to COMPAREX; and a version merging product having the reconciliation capabilities needed in collaborative development efforts with functionality similar to CDF. The Company anticipates releasing DETECT + RESOLVE within the first half of calendar 1999 and plans to introduce an initial version of other FULL.CYCLE DESKTOP products by the end of calendar 1999. The Company may be unable, for technological or other reasons, to develop and introduce these products in a timely manner. Any failure by the Company to successfully develop, market, sell and support the FULL.CYCLE DESKTOP would have a material adverse effect on the Company's business, operating results and financial condition. See "Risk Factors--Product Expansion to the Desktop Platform" and "--Product Development Delays."

Technology

SERNET, the core enabling technology for the Company's product suites, provides a platform for the continued enhancement of the Company's existing products and the rapid development of future products. SERNET serves as a repository for the Company's key technologies and provides the Company's product suites with a common, stable infrastructure, a set of common services for product

suite integration, an open application programming interface ("API") for third party integration, a communications module for cross platform interconnectivity and a common set of modules including licensing management, file access and security. Although SERNET has existed for some time as an embedded technology in many of the FULL.CYCLE MAINFRAME products, the Company is currently developing three stand alone products that will be marketed under the brand name SERNET ENTERPRISE. SERNET CONNECT, SERNET MAINFRAME and SERNET DESKTOP will use the SERNET technology to facilitate interaction among the Company's FULL.CYCLE MAINFRAME and FULL.CYCLE DESKTOP product suites. The SERNET ENTERPRISE products will be designed to integrate with customer and third party technology where interconnectivity is required. The Company currently expects an initial version of each SERNET ENTERPRISE product to be released in the first half of calendar 1999.

The following diagram illustrates the Company's FULL.CYCLE ENTERPRISE SCM environment which will be comprised of the FULL.CYCLE MAINFRAME product suite, the planned FULL.CYCLE DESKTOP product suite and the SERNET CONNECT communications module:

Graphic depicting the Company's FULL.CYCLE Enterprise SCM environment which is comprised of the FULL.CYCLE MAINFRAME and FULL.CYCLE DESKTOP product suites and the SERNET Communication module. Three cylinders appear in a column on the left edge of the graphic with "Source" "Load" and "Data" printed on them respectively. Each cyclinder is connected from its right side to a figure labeled "Mainframe". The Mainframe figure is connected from its right side to a figure labeled "Window Internet." The Window Intranet figure is connected from its right side to a figure labeled "Desktop" with "Client or Server" appearing beneath the desktop figure. The desktop figure is connected on its right side to three cylinders appearing in a column on the right edge of the graphic with "Source", "Executable" and "Data" printed on them. The large rectangle on the left is labeled "FULL.CYCLE TM Mainframe" and contains a circle labeled "SERNET Mainframe." To the left of the circle appear the Company's FULL.CYCLE Mainframe product names: Change Man, COMPAREX, CDF, SyncTrac, StarTool and StarWarp. The large rectangle on the right is labeled "FULL CYCLE Desktop" and contains a circle labeled "SERNET Desktop" intended to indicate the Company's 14 Development desktop SCM product suite. To the right of the circle appear the Company's FULL.CYCLE Desktop product names: Change, Compare, Merge + Reconcile and Detect + Resolve. Below the large rectangle on the right "UNDER DEVELOPMENT" appears in all capital letters is underlined. The bottom half of the graphic is composed of two large rectangles on the left and right side of the bottom of the graphic connected by a thin rectangle labeled "SERNET Connect".

In addition to SERNET, the Company has developed a number of other SCM technologies, including:

- A comparison engine detecting differences and tracking changes as small as individual bit values. This technology enables customers to compare extremely large volumes of data rapidly from a diverse set of sources including databases, indexed files and flat file structures.

- A merge engine processing changes made to the same source code program by different development teams that enables parallel development teams to apply changes to an application concurrently, while determining whether the changes are compatible.

- A fingerprinting technology enabling application or system changes to be detected with a high level of granularity by reducing each data file in a system to a unique eight-byte token or "fingerprint" which changes if any bit is altered. Fingerprinting allows programmers and systems managers to quickly determine which changes have led to operational errors, thereby facilitating timely problem detection and resolution.

- An object factory technology consolidating desktop components into single objects and collecting them in class libraries, allowing for code re-use and enabling customers to develop inventories containing proven, tested and reliable codes, thereby facilitating the rapid development and deployment of products to the desktop. The object factory technology has an open API structure of class libraries that can be incorporated with original equipment manufacturer ("OEM") tool kits.

Professional Services and Customer Support

The Company's services group provides technical consulting, education, customer support and product maintenance to help customers maximize the utilization of the Company's FULL.CYCLE MAINFRAME products. The Company offers its consulting and education services under the SER(POWER) brand name.

CONSULTING. The Company provides a comprehensive range of consulting services to its customers. The Company's consultants review customers' existing IT systems and applications and make recommendations for changing those systems and applications and customizing the Company's SCM products so that customers can fully realize the benefits of the FULL.CYCLE MAINFRAME products. In addition to helping customers customize, install and deploy the Company's software products, consulting services may also include process reengineering and developing interfaces with customers' databases, third party proprietary software repositories or fourth generation code generators.

The Company also offers customers more specialized consulting services. These specialized consulting services expand the Company's SER(POWER) service offerings to include the Company's BEST PRACTICES CONSULTING SERVICES, which provide customers with expertise and assistance in defining and developing a best practice change and configuration management architecture and in identifying corresponding products, methods and procedures. In addition, the Company's YEAR 2000 SERVICES and EUROPEAN MONETARY UNION SERVICES assist customers in achieving Year 2000 and EMU conversion readiness. The Company's consultants work with customers' IT organizations to identify and prioritize the critical success factors that are required for effective Year 2000 and EMU conversion solutions, to manage corresponding system and application changes and to automate the necessary testing processes. The Company's consulting services are typically billed on a time and materials basis.

EDUCATION. The Company offers hands-on training courses for the implementation and administration of its products. Product training is provided on a periodic basis at the Company's headquarters in Burlingame, California, at its offices in London and also at customer sites throughout

the United States and Europe. The Company also offers custom course development and CD-ROM based multimedia education for certain of its products. The Company bills its education services on a per class basis.

CUSTOMER SUPPORT AND PRODUCT MAINTENANCE. The Company has a staff of customer service personnel who provide technical support to customers. The Company offers technical support services 24 hours a day, seven days a week via its Internet site, toll free telephone lines, electronic mail, bulletin board service and facsimile lines. Customers are notified about the availability of regular maintenance and enhancement releases via Internet-based electronic mail. Initial product license fees include one year of product software maintenance and support. Thereafter, customers are entitled to receive software updates, maintenance releases and technical support for an annual maintenance fee equivalent to approximately 17% of the current list price of the licensed product. Over 95% of the Company's customers who were eligible to renew their maintenance agreements during calendar year 1997 did so. There can be no assurance that the Company will maintain this rate of renewal. See "Risk Factors--Uncertainty as to Future Operating Results."

Research and Development

The Company believes that the ability to introduce new and enhanced products to customers will be a key factor for future success. As part of its efforts to generate ideas for enhancing its existing products and for developing new ones, the Company maintains an ongoing dialogue with its customers who are continually facing new SCM challenges in their evolving IT environments. The Company has devoted and expects to continue to devote significant resources to developing new and enhanced products, including the FULL.CYCLE DESKTOP and SERNET ENTERPRISE product suites.

Most of the Company's technical personnel have been employed by the Company for a substantial length of time and their significant knowledge base contributes to the Company's ability to understand and address customers' SCM requirements. The Company believes that attracting and retaining talented software developers who understand the customers' problems is an important component of the Company's product development activities. The Company encourages its developers to assume responsibility for the design and delivery of their products through its product authorship incentive program that rewards the Company's developers with commissions based on the market success of the applications they design, write, market and support. Competition for developers is intense and any failure by the Company to continue to attract and retain qualified personnel could have a material adverse effect on the Company's business, operating results and financial condition. See "Risk Factors--Ability to Recruit Personnel."

The Company's research and development expenses were $3.0 million, $4.3 million, $5.5 million and $2.1 million in fiscal 1996, 1997 and 1998 and the six months ended July 31, 1998, representing 28%, 25%, 17% and 11% of total revenues, respectively. The reduction in research and development expenses for the six months ended July 31, 1998, is attributable principally to the restructuring of compensation arrangements with the Company's founder and Chief Technology Officer. The Company expects the research and development expenses will increase as the Company hires additional research

and development personnel to develop its FULL.CYCLE DESKTOP and SERNET ENTERPRISE products. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company believes that its ability to develop and introduce enhancements to its products and new products on a timely basis is a key success factor. The Company expects that it will have to respond quickly to rapid technological change, changing customer needs, frequent new product introductions and evolving industry standards that may render existing products and services obsolete. The Company has in the past devoted and expects in the future to continue to devote a significant amount of resources to developing new and enhanced products. The Company currently has a number of product development initiatives underway. There can be no assurance that any enhanced products, new products or product suites will be embraced by existing or new customers. The failure of these products to achieve market acceptance would have a material adverse effect on the Company's business, operating results and financial condition. See "Risk Factors--Evolving Technology Standards."

Customers

As of October 31, 1998, SERENA had licensed its SCM products for use in over 2,000 data centers worldwide and its customers include 36 of the Fortune 50 companies. The following is a representative list of the Company's customers that have purchased at least $100,000 in software licenses, maintenance and professional services since the beginning of fiscal 1998:

ABN AMRO Service Company, Inc.
Aegon USA, Inc.
Aetna Life Insurance Company
Affiliated Computer Services, Inc.
American Express Financial Corp.
Ameritech Services, Inc.
Ames Department Stores, Inc.
Automatic Data Processing, Inc.
Bank of Nova Scotia
Bear Stearns & Co. Inc.
BellSouth Information Services
CGI Telecom Information and Services, Inc.
The Chase Manhattan Corporation
Citigroup, Inc.
Computer Sciences Corporation
Credit Communal de Belgique
Credit Suisse First Boston Corporation
First Union National Bank
Fortis Inc.
The Franklin Mint
General Electric Company
Hartford Fire Insurance Company
State of California, Health & Welfare Agency Data Center
International Business Machines Corporation
Integrated Systems Solution Corporation
Manulife Financial
MCI WorldCom Communications
Merrill Lynch & Co. Inc.
Metropolitan Life Insurance Company
National City Corp.
NationsBanc Services, Inc.
Policy Management Systems Corporation
The Prudential Insurance Company of America
Rensselaer County Industries
Salomon Smith Barney Inc.
Sears Canada Inc.
U.S. Sprint Communications Company, L.P.
Toyota Motor Sales, USA, Inc.
Washington Mutual, Inc.
Wells Fargo Bank, N.A.
Zurich Insurance Company

The following are examples of customers who use the Company's products and professional services for managing enterprise level, mission-critical applications for large organizations.

CREDIT COMMUNAL DE BELGIQUE ("CREDIT COMMUNAL") is the Belgian banking institution of the Dexia Group, a leader in the financing of public service facilities in Europe, composed of Credit Local de France, Credit Communal, Banque International a Luxembourg and Dexia Public & Project Finance International Bond. Credit Communal sought an SCM solution that could standardize its software application development procedures, provide versioning capability and enable concurrent development efforts by multiple programming teams. Credit Communal chose CHANGE MAN because of its broad functionality, ease of use and implementation, adaptability and customization capabilities to address specific SCM requirements. CHANGE MAN provides Credit Communal with an automated software change infrastructure enabling Credit Communal to better manage and control its software application development environments. Additionally, Credit Communal has integrated CDF with CHANGE MAN to provide enhanced concurrent development capabilities and has integrated SYNCTRAC to manage and synchronize software in their production and test systems. Credit Communal also uses these products for Year 2000 and EMU readiness.

FIRST UNION NATIONAL BANK ("FIRST UNION"), headquartered in Charlotte, North Carolina, is a commercial bank serving more than 16 million customers. Before purchasing CHANGE MAN, First Union used an internally developed SCM solution which did not have versioning or concurrent development capabilities. First Union chose CHANGE MAN because of its broad functionality, ease of use and implementation and versioning and concurrent capabilities. CHANGE MAN has improved First Union's control of its software application development process including synchronizing source to load modules and protecting source code. First Union also uses COMPAREX and CDF to increase programmer productivity by identifying differences between versions of code.

Sales and Marketing

In North America, the United Kingdom and Germany, the Company markets its software primarily through its direct sales organization. The Company's North American sales organization includes personnel in the metropolitan areas of Boston, Chicago, Los Angeles, New York, Sacramento, San Francisco and Toronto.

The Company's direct sales force works closely with customers to understand and address their SCM needs. In particular, the Company plans to broaden its telesales efforts to reduce sales cycles and provide a rapid response to customer product requests.

In addition to its direct sales and telesales efforts, the Company has established relationships with distributors and resellers located in North America, Europe, Israel and South Africa. In addition to marketing and selling the Company's software, these distributors and resellers provide technical support as well as educational and consulting services.

The Company markets its products through seminars, industry conferences, trade shows, advertising, direct mailing efforts and the Company's Internet site. In addition, the Company has developed programs that promote an active exchange of information between the Company and its existing customers. These programs include customer meetings with the Company's senior management at its

Executive Briefing Center and focus group meetings with customers to evaluate product positioning. The Company plans to continue to expand its marketing organization to broaden the Company's market presence.

Competition

The market for the Company's products is highly competitive and diverse. The technology for SCM products may change rapidly. New products are frequently introduced and existing products are continually enhanced. Competitors vary in size and in the scope and breadth of the products and services that they offer. Many of the Company's current and potential competitors have greater financial, technical, marketing and other resources than the Company has. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the development, promotion and sale of their products than the Company can. The Company may not be able to compete successfully against current and future competitors.

EXISTING COMPETITION. The Company faces competition from a number of sources, including:

- Customers' internal IT departments - Providers of SCM products that compete directly with the Company's CHANGE MAN and COMPAREX products such as Computer Associates, PLATINUM technology, IBM and smaller private companies - Providers of SCM application development programmer productivity and system management products such as Compuware, Microsoft, IBM and smaller private companies FUTURE COMPETITION. Barriers to entry in the software market are relatively low. As a result, the Company may face competition in the future from established companies who have not previously entered the mainframe SCM market or from emerging, entrepreneurial software companies. These companies may not only develop their own mainframe SCM solutions, but they may also acquire or establish cooperative relationships with the Company's current competitors, including cooperative relationships between large, established companies and smaller private companies. Because larger companies have significant financial and organizational resources available, they may be able to quickly penetrate the mainframe SCM market through acquisitions or strategic relationships and may be able to leverage the technology and expertise of smaller companies and develop successful SCM products for the mainframe. The Company expects that the software industry, in general, and providers of SCM solutions, in particular, will continue to consolidate. It is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share.

The Company's ability to sell its products also depends, in part, on the compatibility of its products with other third-party products, particularly those provided by IBM. Developers of these third-party products may change their products so that they will no longer be compatible with our products. These third-party developers may also decide to bundle their products with other SCM products for promotional purposes. This could materially adversely affect the Company's business and future operating results.

The Company anticipates that it will also face significant competition as it develops, markets and sells its FULL.CYCLE DESKTOP products. The Company does not have experience in developing, selling, marketing or supporting desktop products since all of its products to date have been designed to support the mainframe. Penetrating the existing desktop SCM market will be difficult. Competitors in the desktop market include PLATINUM technology, Micro Focus/INTERSOLV, Microsoft, Novadigm, Novell, Rational Software and smaller private companies.

Intellectual Property

The Company's success will be heavily dependent upon proprietary technology. The Company relies primarily on a combination of patent, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Such laws provide only limited protection. The Company submitted four patent applications for its technology in 1998 and each of these applications is still pending. These patents may never be issued. Even if these patents are issued, they may not provide sufficiently broad protection or they may not prove enforceable in actions against alleged infringors. Despite precautions that the Company takes, it may be possible for unauthorized third parties to copy aspects of the Company's current or future products or to obtain and use information that the Company regards as proprietary. In particular, the Company may provide its licensees with access to its data model and other proprietary information underlying its licensed applications. Such means of protecting the Company's proprietary rights may not be adequate. Additionally, the Company's competitors may independently develop similar or superior technology. Policing unauthorized use of software is difficult and some foreign laws do not protect the Company's proprietary rights to the same extent as United States laws. Litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect its trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of the Company's resources and could materially adversely affect the Company's business, operating results, and financial condition.

Third parties may claim that the Company's current or future products infringe their proprietary rights. In September 1998, Compuware Corporation filed a lawsuit against the Company alleging copyright infringement, trade secret misappropriation and various tort claims related to the sale of our STARTOOL and STARWARP products. Due to the nature of litigation generally and because the lawsuit is at an early stage, the Company cannot ascertain the availability of injunctive relief or other equitable remedies or estimate the total expenses, possible damages or settlement value, if any, that may ultimately be incurred with Compuware's claim. However, the Company may receive additional claims in the future and any such claims could affect the Company's relationships with existing customers and may prevent future customers from licensing its products. Because the Company is dependent upon a limited number of products, any such claims, including the Compuware claim, with or without merit, could be time consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements. Royalty or license agreements may not be available on acceptable terms or at all. The Company expects that software product developers

will increasingly be subject to infringement claims as the number of products and competitors in the software industry segment grows and the functionality of products in different industry segments overlaps. As a result of these factors, infringement claims could materially adversely affect the Company's business, operating results and financial condition. See "Litigation" and "Risk Factors--Risks of Infringement."

The Company licenses its STARTOOL and STARWARP products on an exclusive, world-wide basis from A. Bruce Leland, one of its employees. Mr. Leland holds all proprietary rights with respect to the STARTOOL and STARWARP technology, including any derivative works or enhancements of the existing STARTOOL and STARWARP products. Sales of STARTOOL accounted for 12% and 10% of the Company's software licensing revenue for fiscal 1998 and for the six months ended July 31, 1998, respectively. Licenses of STARWARP accounted for 9% of the Company's software licensing revenue for six months ended July 31, 1998 and did not account for any software license revenues in fiscal 1998. Although Mr. Leland has been employed with SERENA since February 1989, Mr. Leland may not remain with the Company in the future. The Company's licenses to copy, market and distribute STARTOOL and STARWARP are exclusive, worldwide and nontransferable. The Company pays royalties of approximately 36% on net revenue recognized from license and maintenance agreements related to STARTOOL and STARWARP. The Company's licenses for these products are terminable by Mr. Leland upon 30 days notice in the event certain conditions occur, including if the Company fails to pay royalties on a timely basis or otherwise materially breaches the license agreement. The Company owns the trademarks for both STARTOOL and STARWARP.

The Company shares ownership rights in its SYNCTRAC technology for mainframe platforms with High Power Software ("HPS"), a developer of data protection software for the mainframe. Sales of the SYNCTRAC product accounted for 3% and 4% of the Company's software license revenue in fiscal 1998 and in the six months ended July 31, 1998, respectively. HPS receives 50% of all software license revenue and maintenance revenue derived from licenses of the SYNCTRAC product for mainframe platforms. Although the Company has had primary responsibility for marketing, licensing and supporting SYNCTRAC, HPS has the ability to jointly direct marketing, sales and support efforts regarding the product. The Company owns the SYNCTRAC technology for deployment on non-mainframe platforms and does not share this ownership with HPS or any other third party.

If the Company's licenses for its STARTOOL and STARWARP technologies terminated or its relationship with HPS worsened with regard to the joint direction of marketing, sales and support efforts for SYNCTRAC, this could materially adversely affect the Company's business, operating results and financial condition. See "Risk Factors--Reliance on Licensed or Jointly Owned Technology."

Litigation

In September 1998, Compuware Corporation ("Compuware") filed suit against the Company in the United States District Court for the Eastern District of Michigan seeking unspecified compensatory damages, costs and attorneys fees, and injunctive relief based on allegations of copyright infringement,

trade secret misappropriation and various tort claims related to the Company's sale of its STARTOOL and STARWARP products. Compuware served the complaint on the Company on November 18, 1998.

Due to the nature of litigation generally and because the lawsuit brought by Compuware is at an early stage, the Company's management cannot ascertain the availability of injunctive relief or other equitable remedies or estimate the total expenses, possible damages or settlement value, if any, that may ultimately be incurred in connection with Compuware's suit. However, management believes, based on the advice of counsel, that it has meritorious defenses to the allegations contained in Compuware's complaint. The Company believes that this matter will not have a material adverse effect on the results of operations or financial condition of the Company. This litigation could be time consuming and costly, and there can be no assurance that the Company would necessarily prevail given the inherent uncertainties in litigation. In the event that the Company does not prevail in litigation, the Company could be prevented from selling its STARTOOL and STARWARP products or be required to enter into royalty or licensing agreements or pay monetary damages. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all. In the event of a successful claim against the Company, the Company's business, operating results or financial condition could be materially adversely affected.

Employees

As of October 31, 1998, SERENA had 186 full-time employees, 30 of whom were engaged in research and development, 62 in sales and marketing, 64 in consulting, education and customer and document support, and 30 in finance, administration and operations. The Company's future performance depends in significant part upon the continued service of its key technical, sales and senior management personnel. The loss of the services of one or more of the Company's key employees could materially adversely affect the Company's business, operating results and financial condition. The Company's future success also depends on its continuing ability to attract, train and retain highly qualified technical, sales and managerial personnel. Competition for such personnel is intense, and the Company may not be able to retain its key personnel in the future. None of the Company's employees is represented by a labor union. The Company has not experienced any work stoppages and considers its relations with its employees to be good.

Facilities

The Company's principal administrative, sales, marketing, consulting, education, customer support and research and development facilities are located at its headquarters in Burlingame, California. The Company currently occupies an aggregate of approximately 26,000 square feet of office space in the Burlingame facility under the terms of various leases, the first of which terminates, unless renewed, in December 2001. Management believes its current facilities will be adequate to meet its needs for at least the next twelve months. The Company believes that suitable additional facilities will be available in the future as needed on commercially reasonable terms.

The Company also leases office space for sales and marketing in Sacramento, California and Atlanta, Georgia, has a subsidiary in the United Kingdom and is in the process of establishing an additional subsidiary in Germany.

Management

The following table sets forth certain information with respect to the executive officers and directors of the Company as of the date of this prospectus.

Executive Officers and Directors

Name Age Position

Douglas D. Troxel.....	53	Chairman of the Board and Chief Technology Officer
Richard A. Doerr.....	55	President, Chief Executive Officer and Director
Marianne M. Elkholy.....	47	Vice President, Worldwide Marketing
Kevin C. Parker.....	42	Vice President, Research and Development
Robert I. Pender, Jr.....	41	Vice President, Finance and Administration, Chief Financial Officer and Secretary
Sydney S. Phelan.....	47	Vice President, North American Consulting
Roger A. Richardson.....	37	Vice President, International Operations
Anthony G. Stayner.....	42	Vice President, Services
Vita A. Strimaitis.....	38	Vice President, General Counsel and Assistant Secretary
Mark E. Woodward.....	40	Vice President, Sales
Alan H. Hunt.....	56	Director

In addition to the directors named above, prior to the sales of shares under this offering, the Company intends to add to the Company's Board of Directors at least one other director, in addition to Alan H. Hunt, who will be neither employed by the Company nor affiliated with the Company's principal stockholders. The Company's Audit and Compensation Committees, which will be established prior to the completion of this offering, will be comprised of at least two outside directors.

DOUGLAS D. TROXEL is the founder of the Company and has served as the Chairman of its Board of Directors since April 1980 and as its Chief Technology Officer since April 1997. From June 1980 to April 1997, Mr. Troxel served as the President and Chief Executive Officer of the Company. Mr. Troxel holds a B.S. in mathematics from Iowa State University.

RICHARD A. DOERR has served as the Company's President, Chief Executive Officer and as a member of its Board of Directors since April 1997. From April 1995 until October 1996, Mr. Doerr was Vice President of Sales, Service and Distribution for Wall Data Incorporated, a software connectivity company. From October 1991 until October 1994, Mr. Doerr was Vice President, Worldwide Operations for Oracle Corporation, a developer of relational database management software. From

August 1986 until October 1991, Mr. Doerr was Vice President, Western Area and U.S. Healthcare Industry for Digital Equipment Corporation, a developer of networking solutions for computer environments. Mr. Doerr holds a B.S. from California Polytechnic State University.

MARIANNE M. ELKHOLY has served as the Company's Vice President, Marketing since October 1997. From April 1997 until August 1997, Ms. Elkholy was Vice President, Marketing for Virtual Integration Technology, Inc., a developer of data warehousing and information delivery solutions. From March 1994 until February 1997, Ms. Elkholy was Executive Director of Marketing for Informix Corporation, a developer of relational database management software. From March 1990 until March 1994, Ms. Elkholy was a Director of Marketing for Oracle Corporation, a developer of relational database management software. Ms. Elkholy holds a B.S. and an M.S. in mathematics from Marywood College.

KEVIN C. PARKER has served as the Company's Vice President, Research and Development since November 1998. From October 1997 until November 1998, Mr. Parker served as the Company's Director of Technology Development. From November 1995 until April 1997, Mr. Parker was Director of Product Development for Command Technology Corporation, a developer of mainframe-style programmer's tools.

From November 1989 until November 1995, Mr. Parker was Managing Director of IT Independent Training Limited, a developer of software training products.

ROBERT I. PENDER, JR. has served as the Company's Vice President, Finance and Administration, Chief Financial Officer and Secretary 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. Mr. Pender holds a B.A. in accounting from Baylor University and an M.S. in financial planning and tax from Golden Gate University.

SYDNEY S. PHELAN has served as the Company's Vice President, North American Consulting Services since September 1998. From August 1992 until September 1998, Ms. Phelan was a Vice President with Optima Software, Inc., a distributor of change management software that was acquired by the Company in September 1998. Ms. Phelan holds a B.A. in English and psychology from the University of Connecticut.

ROGER A. RICHARDSON has served as the Company's Vice President, International Operations since May 1998. From February 1997 until October 1997, Mr. Richardson was Director of European Operations for True Software Inc., a developer of software change management products. From February 1996 until January 1997, Mr. Richardson was a director with Sequalogic Plc, a contract agency. From April 1993 until January 1996, Mr. Richardson held various business management positions, most recently as Vice President, Northern Europe, at Legent, Inc., a developer of software change management products.

ANTHONY G. STAYNER has served as the Company's Vice President, Services since September 1998. From June 1998 until September 1998, Mr. Stayner served as the Company's Vice President, Professional Services. From February 1996 until January 1998, Mr. Stayner was Director of Product Marketing, Services Business Unit for Network Associates, Inc., a network security and performance management company. From November 1994 until February 1996, Mr. Stayner was the Principal for Stayner & Associates, a marketing and management consulting services firm. From March 1992 until November 1994, Mr. Stayner was the Vice President of Marketing for Common Ground Software, a developer of software for the distribution of electronic documents across multiple platforms. Mr. Stayner holds a B.A. in economics and mathematics from the University of California, Davis, a J.D. from the University of California, Berkeley and a M.B.A. from Stanford University.

VITA A. STRIMAITIS has served as the Company's Vice President, General Counsel and Assistant Secretary since July 1997. Ms. Strimaitis also served as the Company'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. Ms. Strimaitis holds a B.A. in political science and psychology from Loyola University and a J.D. from Northern Illinois University College of Law.

MARK E. WOODWARD has served as the Company's Vice President, Sales since November 1998. 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.

ALAN H. HUNT has served as a member of the Company's Board of Directors since February 1998. From October 1995 to January 1998, Mr. Hunt was the President and Chief Executive Officer and a member of the Board of Directors of Peregrine Systems, Inc., a provider of infrastructure management software solutions. From July 1994 until November 1995, Mr. Hunt was President and Chief Executive Officer and a member of the Board of Directors of XVT Software Inc., a development tools software company. From March 1991 until May 1994, Mr. Hunt was Senior Vice President of Sales and Marketing (North America) for BMC Software, Inc., a vendor of software system utilities for IBM mainframe computing environments. Mr. Hunt holds a B.S. in business administration and industrial management from San Jose State College.

Board Committees

Prior to the completion of this offering, the Company will establish an Audit Committee and a Compensation Committee. The Audit Committee will review the internal accounting procedures of the Company and consult with and review the services provided by the Company's independent

accountants. The Compensation Committee will review and recommend to the Board of Directors the compensation and benefits of all officers of the Company and will establish and review general policies relating to compensation and benefits of employees of the Company.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee will be responsible for determining salaries, incentives and other forms of compensation for directors, officers and other employees of the Company and administering various incentive compensation and benefit plans. The Compensation Committee will consist of two outside directors. Alan H. Hunt is currently the Company's only outside director. The Company expects to appoint at least one additional outside director prior to the completion of this offering. Richard A. Doerr, President, Chief Executive Officer and a director of the Company, will participate in all discussions and decisions regarding salaries and incentive compensation for all employees and consultants of the Company, except that he will be excluded from discussions regarding his own salary and incentive compensation.

Director Compensation

The Company reimburses each member of the Company's Board of Directors for out-of-pocket expenses incurred in connection with attending board meetings. No member of the Company's Board of Directors currently receives any additional cash compensation. At the time Mr. Hunt became a member of the Board of Directors, the Company granted Mr. Hunt 56,250 shares of Common Stock pursuant to a restricted stock purchase agreement at a purchase price per share of $1.44. Under the terms of that agreement, the Company has a right to repurchase any unvested shares in the event Mr. Hunt's membership in the Board of Directors should terminate. One quarter of Mr. Hunt's shares will vest upon the first anniversary of his membership on the Board of Directors, and the remaining shares will vest monthly thereafter. See "Certain Transactions."

The Company's 1999 Director Option Plan (the "Director Plan") provides that options will be granted to non-employee directors, other than non-employee directors who hold or are affiliated with a holder of three percent of the Company's outstanding Common Stock, pursuant to an automatic nondiscretionary grant mechanism. Each new non-employee director is automatically granted an option to purchase 25,000 shares of Common Stock at the time he or she is first elected to the Board of Directors. Each non-employee director will subsequently be granted an option to purchase 5,000 shares of Common Stock at the beginning of each fiscal year. Each such option will be granted at the fair market value of the Common Stock on the date of grant. Options granted to non-employee directors under the Director Plan will become exercisable over four years, with one quarter of the shares subject to the option vesting after one year and the remaining shares vesting in monthly installments thereafter. See "Stock Plans--1999 Director Option Plan."

Executive Compensation

The following table and footnotes thereto set forth in summary form information concerning the compensation awarded to, earned by, or paid for services rendered to the Company in all capacities during the fiscal year ended January 31, 1998 by (i) the Company's President and Chief Executive Officer; (ii) the Company's executive officers whose salary and bonus for fiscal 1998 exceeded $100,000 and who served as an executive officer of the Company during such fiscal year; and (iii) the Company's Vice President, Worldwide Marketing and its Vice President, Finance and Administration, Chief Financial Officer and Secretary (collectively, the "Named Executive Officers"):

Summary Compensation Table

			LONG-TERM COMPENSATION AWARDS	
	ANNUAL COMPENSATION (1)		RESTRICTED	SECURITIES
			STOCK	UNDERLYING
NAME AND PRINCIPAL POSITION	SALARY	BONUS	AWARDS	OPTIONS (#)

ALL OTHER COMPENSATION

Current Executive Officers

Richard A. Doerr (2)..... $ 156,154 $ 429,620(9) $1,334,250(12) -- $ 2,346(13) President and Chief Executive Officer Douglas D. Troxel (3)..... 324,000 1,063,500(10) -- -- 31,619(14) Chief Technology Officer Marianne M. Elkholy (4)..... 50,000(8) 42,500(11) 184,500(12) -- 1,692(15) Vice President, World Wide Marketing Robert I. Pender, Jr. (5)..... 25,000(8) 15,000(10) 184,500(12) -- 534(16) Vice President, Finance and Administration, Chief Financial Officer and Secretary Vita A. Strimaitis (6)..... 138,483 50,000(9) 137,250(12) -- 5,094(17) Vice President, General Counsel and Assistant Secretary

Former Executive Officers

Athena Troxel (7)..... 96,000 20,603(9) -- -- 3,974(18) Chief Financial Officer and Secretary (1) Other than the salary and bonus described herein, the Company did not pay any executive officer named in the Summary Compensation Table any fringe benefits, perquisites or other compensation in excess of 10% of such executive officer's salary and bonus during fiscal 1998.

(2) Mr. Doerr became President and Chief Executive Officer of SERENA in April 1997.

(3) Mr. Troxel is SERENA's Chairman and founder and became its Chief Technology Officer in April 1997. Prior to April 1997, Mr. Troxel served as the Company's Chief Executive Officer in addition to its Chairman.

(4) Ms. Elkholy became SERENA's Vice President, Worldwide Marketing in October 1997.

(5) Mr. Pender became SERENA's Vice President, Finance and Administration, Chief Financial Officer and Secretary in December 1997.

(6) Ms. Strimaitis became SERENA's Vice President, General Counsel and Assistant Secretary in July 1997. From September 1996 to July 1997, Ms. Strimaitis served as the Company's Director of Licensing.

(7) Ms. Troxel resigned from her position as the Company's Secretary and Chief Financial Officer in April 1997.

(8) Represents salary paid in fiscal 1998. For fiscal 1999 Ms. Elkholy and Mr. Pender are scheduled to receive an annual salary of $150,000 (subject to adjustment in connection with the Company's salary review process).

(9) Bonus compensation earned in fiscal 1998 but paid in fiscal 1999.

(10) Bonus compensation earned and paid in fiscal 1998.

(11) Bonus compensation consists of $10,000 earned and paid in fiscal 1998 and $32,500 earned in fiscal 1998 but paid in fiscal 1999.

(12) In January 1998, Mr. Doerr, Ms. Elkholy, Mr. Pender and Ms. Strimaitis purchased 1,334,250, 184,500, 184,500 and 137,250 shares of common stock, respectively, at a purchase price of $1.00 per share under the Company's Amended and Restated 1997 Stock Option and Incentive Plan. Mr. Doerr's shares vest over three years with one-third of his shares vesting on the first anniversary of his initial employment date and the remaining shares vesting monthly thereafter. The shares issued to the officers other than Mr. Doerr vest over four years with one-quarter of the shares vesting on the first anniversary of the executive officer's initial employment date and the remaining shares vesting monthly thereafter. See "--Employment Agreements and Change in Control Arrangements" and "Certain Transactions."

(13) Represents $1,333 in matching contributions under the Company's 401(k) plan and $1,013 in group life insurance excess premiums paid by the Company.

(14) Represents $5,190 in matching contributions under the Company's 401(k) plan, $20,528 in group life insurance excess premiums and $5,901 in personal car expenses paid by the Company.

(15) Represents $1,500 in matching contributions under the Company's 401(k) plan and $192 in group life insurance excess premiums paid by the Company.

(16) Represents $500 in matching contributions under the Company's 401(k) plan and $34 in group life insurance excess premiums paid by the Company.

(17) Represents $4,975 in matching contributions under the Company's 401(k) plan and $119 in group life insurance excess premiums paid by the Company.

(18) Represents $3,640 in matching contributions under the Company's 401(k) plan and $334 in group life insurance excess premiums.

Incentive Stock Plans

1997 PLAN. The Company's Amended and Restated 1997 Stock Option Plan (the "1997 Plan") was initially adopted by the Board of Directors and approved by the Company's stockholders in October 1997. In connection with this offering, the Board of Directors and stockholders approved the amendment and restatement of the 1997 Plan in November 1998. The 1997 Plan provides for the grant to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and for the grant to employees, directors and consultants of nonstatutory stock options and stock purchase rights ("SPRs"). Unless terminated sooner, the 1997 Plan will terminate automatically in November 2007. As of October 31, 1998, a total of 2,153,250 shares of common stock were reserved for issuance pursuant to the 1997 Plan, of which options to acquire 796,860 shares were issued and outstanding as of that date. Additionally, 1,896,750 shares had been previously issued pursuant to SPR's. In November 1998, the Company's Board of Directors approved an increase of 500,000 shares reserved under the 1997 Plan. The 1997 Plan provides for annual increases in the number of shares available for issuance thereunder, on the first day of each fiscal year, equal to the lesser of (i) 2 1/2% of the outstanding shares of common stock on the last day of the prior fiscal year or (ii) such amount as may be determined by the Board. The first such annual increase will be effective at the beginning of fiscal year 2001.

The 1997 Plan may be administered by the Board of Directors or a committee of the Board (as applicable, the "Administrator"), which committee shall, in the case of options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, consist of two or more "outside directors" within the meaning of Section 162(m) of the Code. The 1997 Plan is presently administered by the Board of Directors. The Administrator has the power to determine the terms of the options or SPRs granted, including the exercise price, the number of shares subject to each option or SPR, the exercisability thereof, and the form of consideration payable upon such exercise. In addition, the Administrator has the authority to amend, suspend or terminate the 1997 Plan, provided that no such action may affect any share of common stock previously issued and sold or any option previously granted under the 1997 Plan.

Options and SPRs granted under the 1997 Plan are not generally transferable by the optionee, and each option and SPR is exercisable during the lifetime of the optionee only by such optionee. Options granted under the 1997 Plan must generally be exercised within three months of the end of optionee's status as an employee or consultant of the Company, or within 12 months after such optionee's termination by death or disability, but in no event later than the expiration of the option's ten year term. In the case of SPRs, unless the Administrator determines otherwise, the restricted stock purchase agreement entered in connection with the exercise of the SPR shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including death or disability). The purchase price for shares repurchased pursuant to restricted stock purchase agreements shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at a rate determined by the Administrator. The exercise price of all incentive stock

options granted under the 1997 Plan must be at least equal to the fair market value of the Common Stock on the date of grant. The exercise price of nonstatutory stock options and SPRs granted under the 1997 Plan is determined by the Administrator, but with respect to nonstatutory stock options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the exercise price must at least be equal to the fair market value of the common stock on the date of grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of the Company's outstanding capital stock, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the term of such incentive stock option must not exceed five years. The term of all other options granted under the 1997 Plan may not exceed ten years.

The 1997 Plan provides that in the event of a merger or consolidation of the Company with or into another corporation, a sale of substantially all of the Company's assets or certain other changes in control of the Company, the optionee shall have the right to exercise all of the optioned stock, including shares as to which it would not otherwise be exercisable.

1999 EMPLOYEE STOCK PURCHASE PLAN. The Company's 1999 Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Board of Directors in November 1998 and approved by the stockholders in November 1998. The Purchase Plan will become effective simultaneously with the effectiveness of this offering. A total of 225,000 shares of common stock has been reserved for issuance under the Purchase Plan. In addition, the Purchase Plan provides for annual increases in the number of shares available for issuance under the Purchase Plan, on the first day of each fiscal year, equal to the lesser of (i) 1% of the outstanding shares of common stock on the last day of the prior fiscal year or (ii) such amount as may be determined by the Board. The first such annual increase will be effective at the beginning of fiscal year 2001.

The 1999 Purchase Plan, which is intended to qualify under Section 423 of the Internal Revenue Code of 1986, as amended, contains consecutive, overlapping 24 month offering periods. The offering periods generally start on the first trading day on or after December 1 and June 1 of each year, except for the first such offering period will commence on the first trading day on or after the effective date of this offering and will end on the last trading day on or before February 28, 2001.

Employees are eligible to participate if they are customarily employed by the Company or any participating subsidiary for at least 20 hours per week and more than five months in any calendar year. Any employee (i) who immediately after grant owns stock possessing 5% or more of the total combined voting power or value of all classes of the capital stock of the Company or (ii) whose rights to purchase stock under all employee stock purchase plans of the Company accrues at a rate which exceeds $25,000 worth of stock for each calendar year may be not be granted an option to purchase stock under the 1999 Purchase Plan. The 1999 Purchase Plan permits participants to purchase Common Stock through payroll deductions of up to 10% of the participant's "compensation." Compensation is defined as the participant's base straight time gross earnings, bonuses and commissions but excludes

payments for overtime, profit sharing payments, shift premium payments, incentive compensation and incentive payments. The maximum number of shares a participant may purchase during a single offering period is 25,000 shares.

Amounts deducted and accumulated by the participant are used to purchase shares of Common Stock at the end of each offering period. The price of stock purchased under the 1999 Purchase Plan is 85% of the lower of the fair market value of the common stock at the beginning or end of the offering period. Participants may end their participation at any time during an offering period, and they will be paid their payroll deductions to date. Participation ends automatically upon termination of employment with the Company.

Rights granted under the 1999 Purchase Plan are not transferable by a participant other than by will, the laws of descent and distribution, or as otherwise provided under the 1999 Purchase Plan. The 1999 Purchase Plan provides that, in the event of a merger of the Company with or into another corporation or a sale of substantially all of the Company's assets, each outstanding option may be assumed or substituted for by the successor corporation. If the successor corporation refuses to assume or substitute for the outstanding options, the offering period then in progress will be shortened, and a new exercise date will be set. The 1999 Purchase Plan will terminate in November 2009. The Board of Directors has the authority to amend or terminate the 1999 Purchase Plan, except that, subject to certain exceptions described in the Purchase Plan, no such action may adversely affect any outstanding rights to purchase stock under the 1999 Purchase Plan.

1999 DIRECTOR OPTION PLAN. Non-employee directors are entitled to participate in the 1999 Director Option Plan (the "Director Plan"). The Director Plan was adopted by the Board of Directors in November 1998 and approved by the stockholders in November 1998, but it will not become effective until the date of this offering. The Director Plan has a term of ten years, unless terminated sooner by the Board. A total of 150,000 shares of common stock have been reserved for issuance under the Director Plan. In addition, the Director Plan provides for an annual increase, on the first day of each fiscal year, equal to the lesser of (i) 1/2% of the outstanding shares of common stock on the last day of the prior fiscal year or (ii) such amount as may be determined by the Board. The first such annual increase will become effective at the beginning of fiscal year 2001.

The Director Plan provides for the automatic grant of 25,000 shares of common stock (the "First Option") to each non-employee director at the time he or she is first elected to the Board of Directors. He or she shall automatically be granted a subsequent option to purchase 5,000 shares (a "Subsequent Option") each year on the date of the annual stockholder's meeting of the Company, if on such date he or she shall have served on the Board for at least six months. Each First Option and each Subsequent Option shall have a term of 10 years and the shares subject to the option shall vest over four years, with one quarter of the shares subject to option vesting after one year and the remaining shares vesting in monthly installments thereafter. The exercise price of all Options shall be 100% of the fair market value per share of the common stock, generally determined with reference to the closing price of the common stock as reported on the Nasdaq National Market on the date of grant.

In the event of a merger of the Company or the sale of substantially all of the assets of the Company, each option shall become fully vested and exercisable for a period of 30 days from the date the Board notifies the optionee of the option's full exercisability, after which period the option shall terminate. Options granted under the Director Plan must be exercised within three months of the end of the optionee's tenure as a director of the Company, or within 12 months after such director's termination by death or disability, but in no event later than the expiration of the option's ten year term. No option granted under the Director Plan is transferable by the optionee other than by will or the laws of descent and distribution, and each option is exercisable, during the lifetime of the optionee, only by such optionee.

401(k) PLAN. The Company has adopted a tax-qualified employee savings and retirement plan (the "401(k) Plan") for eligible U.S. employees. Eligible employees may elect to defer a percentage of their eligible compensation in the 401(k) Plan, subject to the statutorily prescribed annual limit. The Company may make matching contributions on behalf of all participants in the 401(k) Plan in an amount determined by the Company's Board of Directors. The Company may also make additional discretionary profit sharing contributions in such amounts as determined by the Board of Directors, subject to statutory limitations. Matching and profit-sharing contributions, if any, are subject to a vesting schedule; all other contributions are at all times fully vested. The 401(k) Plan, and the accompanying trust, is intended to qualify under Sections 401(k) and 501 of the Internal Revenue Code of 1986, as amended, so that contributions by employees or by the Company to the 401(k) Plan, and income earned (if any) on plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan, and so that contributions by the Company, if any, will be deductible by the Company when made. The trustee under the 401(k) Plan, at the direction of each participant, invests the assets of the 401(k) Plan in any of a number of investment options.

Employment Agreements and Change in Control Arrangements

On April 21, 1997, the Company entered into an at-will employment agreement with Richard A. Doerr, the Company's President, Chief Executive Officer and a member of its Board of Directors. The employment agreement provides for Mr. Doerr to receive an annual base salary of $200,000, subject to annual review for increases, and an annual cash bonus based on the achievement of individual and Company performance objectives. In the event Mr. Doerr is terminated without cause, Mr. Doerr will be entitled to receive severance payments equal to six month's base salary. Pursuant to the employment agreement, in January 1998, Mr. Doerr and the Company entered into a restricted stock purchase agreement under which Mr. Doerr purchased 1,334,250 shares of the Company's common stock under the 1997 Plan at a purchase price of $1.00 per share. Mr. Doerr paid the purchase price for his restricted shares in the form of a full recourse promissory note secured by the purchased common stock. The promissory note bears interest at an annual rate of 5.9%. The Company holds a repurchase option on the unvested shares should Mr. Doerr terminate his employment with SERENA. This repurchase right lapses with respect to one third of the shares subject to the agreement on the first year

anniversary of the purchase date and lapses with respect to the remaining shares on a monthly basis over the succeeding two years. In the event of a change in control transaction, the Company's right to repurchase any unvested shares will lapse.

The Company and Douglas D. Troxel, SERENA's founder, Chief Technology Officer and the Chairman of its Board of Directors are parties to an employment agreement that automatically renews each June unless Mr. Troxel is terminated for cause by the Company.

In January 1998, Marianne M. Elkholy, the Company's Vice President, Worldwide Marketing, Robert I. Pender, Jr. the Company's Vice President, Finance and Administration, Chief Financial Officer and Secretary, and Vita A. Strimaitis, the Company's Vice President, General Counsel and Assistant Secretary, purchased 184,500, 184,500 and 137,250 shares of common stock, respectively, at a purchase price of $1.00 per share under restricted stock purchase agreements. Each executive officer paid the purchase price for his or her shares in the form of full recourse promissory notes secured by the purchased common stock. These promissory notes bear interest at the annual rate of 5.9%. The Company holds a repurchase option on unvested shares should the individual executive officers terminate their relationship with SERENA. This repurchase right lapses with respect to one quarter of the shares subject to the agreements on the first anniversary of their hire date, and the remaining three-quarters of the shares vest on a monthly basis over the succeeding three years. In the event of a change in control transaction, the Company's right to repurchase unvested shares will lapse.

Under the 1997 Plan, in the event of a change of control transaction, vesting of options and restricted stock issued under the 1997 Plan will automatically accelerate such that options will become fully exercisable, including with respect to shares for such options which would otherwise be unvested, and any outstanding repurchase options relating to restricted stock will lapse. See "Stock Plans--1997 Stock Option Plan."

Limitations on Directors' Liability and Indemnification

The Company's Certificate of Incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for (i) any breach of their duty of loyalty to the corporation or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) unlawful payments of dividends or unlawful stock repurchases or redemptions, or (iv) any transaction from which the director derived an improper personal benefit. Such limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

The Company's Certificate of Incorporation and Bylaws provide that the Company will indemnify its directors and executive officers and may indemnify its other officers and employees and other agents to the fullest extent permitted by law. The Company believes that indemnification under its Bylaws covers at least negligence and gross negligence on the part of indemnified parties. The Company's Bylaws also

permit it to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether the Bylaws would permit indemnification.

The Company has entered into agreements to indemnify its directors and executive officers, in addition to indemnification provided for in the Company's Bylaws. These agreements, among other things, provide for indemnification of the Company's directors and executive officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of the Company, arising out of such person's services as a director or executive officer of the Company, any subsidiary of the Company or any other company or enterprise to which the person provides services at the request of the Company. The Company believes that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

Certain Transactions

Pursuant to an Agreement and Plan of Reorganization dated as of September 23, 1998, the Company acquired Optima. In connection with the acquisition, the Company issued 3,187,500 shares of its common stock, for an aggregate consideration of $15,937,500, in exchange for all of Optima's issued and outstanding common stock. The terms of the Company's acquisition of Optima, including the aggregate consideration paid, were determined by negotiations among officers of the Company and Optima, including the companies' respective financial and accounting advisors. Douglas D. Troxel, SERENA's founder, Chief Technology Officer and the Chairman of its Board of Directors, held 15% of the outstanding shares of Optima prior to the acquisition. Pursuant to the reorganization, Mr. Troxel was issued 478,125 shares of SERENA common stock for an aggregate consideration of $2,390,625. Donald A. Murphy, who served as President and Chief Executive Officer of Optima and held 70% of Optima's common stock prior to the acquisition, was issued, 2,231,250 shares of SERENA common stock in the name of the Murphy Family Trust for an aggregate consideration of $11,156,250. By virtue of the Optima acquisition, Mr. Murphy and the Murphy Family Trust became beneficial owners of more than 5% of SERENA's outstanding common stock. Of the 2,231,250 shares of SERENA common stock issued to the Murphy Family Trust, 367,500 are subject to an escrow arrangement in favor of the Company to satisfy any breaches of representations and warranties made by Optima or certain of its shareholders under the reorganization agreement. The escrow terminates in March 2000.

Prior to SERENA's acquisition of Optima in September 1998, Optima was the primary distributor of the Company's flagship CHANGE MAN product for over ten years. Pursuant to a distribution agreement between Optima and the Company, Optima, or its subdistributors, licensed and sold maintenance contracts for CHANGE MAN to end-user customers. For fiscal 1995, 1996 and 1997, and the six months ended July 31, 1998, Optima recorded an aggregate of $7,076,889, $11,007,066, $16,946,652 and $9,185,549, respectively, in software license revenue and maintenance revenue from transactions related to licenses of and maintenance agreements for CHANGE MAN. The Company was entitled to royalties of 40% and 75% based upon Optima's initial sales of software licenses and

maintenance renewal agreements, respectively. For the years ended December 31, 1995, 1996, and 1997, Optima's royalty expenses were $3,809,276, $5,856,783, and $9,088,801, respectively. Mr. Troxel and Mr. Murphy held 15% and 70%, respectively, of the outstanding shares of common stock of Optima prior to the acquisition.

In March 1996, the Company made an unsecured loan in the principal amount of $250,000 to Mr. Troxel. The loan accrued interest at the rate of 10.5% per year and was repaid in full in October 1998. In November 1996, the Company made an additional loan of $500,000 to Mr. Troxel. The loan accrued interest at a rate of 10% and was repaid in full in July 1997. In July 1998, the Company made an additional loan to Mr. Troxel in the principal amount of $600,000. The loan is secured by shares of Company common stock held by Mr. Troxel. The loan accrues interest at the rate of 5.56% per year. The principal and accrued interest on the note are due and payable in three equal installments of $222,641. Each installment is to be paid on the annual anniversary of the funding of the loan. Mr. Troxel's loan will become due and payable 270 days after the closing of the Company's initial public offering of its common stock to the extent of any proceeds Mr. Troxel receives as a selling stockholder in the offering, up to the full amount of principal and interest then outstanding.

The Company has entered into employment agreements with Richard A. Doerr, SERENA's President and Chief Executive Officer, and Mr. Troxel. In addition, the Company is a party to restricted stock agreements with certain of its executive officers pursuant to which the officers of the Company purchased an aggregate of 1,840,500 shares of its common stock under the 1997 Plan in consideration of the delivery of full recourse promissory notes to the Company by such officers. See "Management--Employment Agreements and Change in Control Arrangements."

In connection with his appointment to the Company's Board of Directors, Alan H. Hunt entered into a restricted stock purchase agreement with the Company in April 1998 to purchase 56,250 shares of common stock at a per share purchase price of $1.44. Mr. Hunt paid the purchase price of $81,250 for these shares in the form of a full recourse promissory note secured by the purchased common stock. The promissory note bears interest at an annual rate of 5.9%. The Company holds a repurchase option on any unvested shares that becomes exercisable in the event Mr. Hunt ceases to be a member of the Company's Board of Directors. The repurchase right lapses with respect to one quarter of the shares on the first anniversary of the purchase date and with respect to the remaining shares, monthly thereafter. In the event of a change in control transaction, the Company's right to repurchase the unvested shares shall lapse.

In March 1997, in connection with Athena P. Troxel's resignation of her position as the Company's Chief Financial Officer and Corporate Secretary, the Company repurchased 630,000 shares of common stock from Ms. Troxel for an aggregate purchase price of $700,000. The terms of the repurchase were determined in an arm's length transaction based on a valuation prepared by an independent appraiser. Ms. Troxel continues to hold more than five percent of the outstanding shares of the Company's common stock. Ms. Troxel was formerly married to Douglas D. Troxel, the Company's founder, Chief Technology Officer and Chairman of its Board of Directors.

Principal and Selling Stockholders

The following table sets forth information regarding the beneficial ownership of the Company's common stock as of October 31, 1998 by (i) each person or entity who is known by the Company to own beneficially more than 5% of the Company's outstanding common stock; (ii) each of the Named Executive Officers; (iii) each director of the Company; (iv) all directors and executive officers as a group; and (v) all other selling stockholders.

NAME AND ADDRESS (1)	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING (2) NUMBER	PERCENT	NUMBER OF SHARES BEING OFFERED	SHARES BENEFICIALLY OWNED AFTER OFFERING (2) NUMBER	PERCENT
5% STOCKHOLDERS Murphy Family Trust (3).....	2,231,250	11.0%	1,070,588	1,160,662	4.8%
CURRENT EXECUTIVE OFFICERS AND DIRECTORS					
Douglas D. Troxel (4).....	14,086,125	69.7	200,000	13,886,125	57.4
Richard A. Doerr (5).....	1,334,250	6.6	--	1,334,250	5.5
Marianne M. Elkholy (6).....	184,500	*	--	184,500	*
Robert I. Pender, Jr. (7).....	184,500	*	--	184,500	*
Vita A. Strimaitis (8).....	137,250	*	--	137,250	*
Alan H. Hunt (9).....	56,250	*	--	56,250	*
All directors and executive officers as a group (11 persons).....	15,982,875	79.1	200,000	15,782,875	65.2
FORMER EXECUTIVE OFFICERS Athena Troxel (10).....	1,512,000	7.5	500,000	1,012,000	4.2
OTHER SELLING STOCKHOLDERS Roseann P. Geyer (11).....	478,125	2.4	229,412	248,713	1.0

* Less than 1% (1) Unless otherwise indicated, the address for each listed 5% stockholder is c/o SERENA Software, Inc., 500 Airport Boulevard, 2nd Floor, Burlingame, California 94010-1904. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock held by them.

(2) Applicable percentage ownership is based on 20,204,250 shares of common stock outstanding as of October 31, 1998 and 24,204,250 shares immediately following the completion of this offering, together with applicable options for such stockholder. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities, subject to community property laws, where applicable. Shares of common stock subject to options that are presently exercisable or exercisable within 60 days of October 31, 1998 are deemed to be beneficially owned by the person holding such options for the purpose of computing the percentage of ownership of such person but are not treated as outstanding for the purpose of computing the percentage of any other person. To the extent that any shares are issued upon exercise of options, warrants or other rights to acquire the Company's capital stock that are presently outstanding or granted in the future or reserved for future issuance under the Company's stock plans, there will be further dilution to new public investors.

(3) Includes 367,500 shares of common stock that are subject to an escrow in favor of the Company to satisfy any breaches of representations and warranties made by Optima or certain of its shareholders in connection with the Company's September 1998 acquisition of Optima. Such escrow will expire in March 2000. Donald A. Murphy and Pamela J. Murphy are trustees for the Murphy Family Trust. See "Certain Transactions."

(4) Includes 12,258,000 shares of common stock held by Mr. Troxel as trustee of the Troxel Living Trust and 1,350,000 shares of common stock held by Mr. Troxel as a general partner for Troxel Investments, L.P. Mr. Troxel is SERENA's founder, Chief Technology Officer and Chairman of its Board of Directors.

(5) Includes 1,334,250 shares of common stock subject to a restricted purchase stock agreement, of which 667,125 shares were unvested and subject to the Company's repurchase option as of October 31, 1998 should Mr. Doerr's employment with the Company terminate. Mr. Doerr is SERENA's President and Chief Executive Officer and a member of its Board of Directors. See "Management--Employment Agreements and Change in Control Arrangements."

(6) Includes 184,500 shares of common stock subject to a restricted stock purchase agreement, of which 134,531 shares were unvested and subject to the Company's repurchase option as of October 31, 1998 should Ms. Elkholy's employment with the Company terminate. Ms. Elkholy is SERENA's Vice President, Worldwide Marketing. See "Management--Employment Agreements and Change in Control Arrangements."

(7) Includes 184,500 shares of common stock subject to a restricted stock purchase agreement, all of which were unvested and subject to the Company's repurchase option as of October 31, 1998 should Mr. Pender's employment with the Company terminate. Mr. Pender is SERENA's Vice President, Finance and Administration, Chief Financial Officer and Secretary. See "Management--Employment Agreements and Change in Control Arrangements."

(8) Includes 137,250 shares of common stock subject to a restricted stock purchase agreement, of which 94,359 shares were unvested and subject to the Company's repurchase option as of October 31, 1998 should Ms. Strimaitis' employment with the Company terminate. Ms. Strimaitis is SERENA's Vice President, General Counsel and Assistant Secretary. See "Management--Employment Agreements and Change in Control Arrangements."

(9) Includes 56,250 shares of common stock subject to a restricted purchase stock agreement, all of which are unvested and subject to the Company's repurchase option as of October 31, 1998 should Mr. Hunt's membership on the Company's Board of Directors terminate. See "Management--Employment Agreements and Change in Control Arrangements."

(10) Ms. Troxel resigned as SERENA's Corporate Secretary and Chief Financial Officer in March 1997.

(11) Includes 78,750 shares of common stock that are subject to an escrow in favor of the Company to satisfy any breaches of representations and warranties Optima or certain of its shareholders made in connection with the Company's September 1998 acquisition of Optima. Such escrow will expire in March 2000.

Description of Capital Stock

General

Upon the completion of this offering, the Company will be authorized to issue 60,000,000 shares of common stock, $0.001 par value, and 5,000,000 shares of undesignated preferred stock, $0.001 par value. Immediately after the completion of this offering, the Company estimates there will be an aggregate of 24,204,250 shares of common stock outstanding and no shares of preferred stock will be issued and outstanding. In addition, as of October 31, 1998, 796,860 shares of common stock will be issuable upon exercise of outstanding options at that time.

The following description of the Company's capital stock does not purport to be complete and is subject to and qualified in its entirety by the Company's Amended and Restated Certificate of Incorporation and Bylaws and by the provisions of applicable Delaware law.

The Amended and Restated Certificate of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of the Board of Directors and which may have the effect of delaying, deferring, or preventing a future takeover or change in control of the Company unless such takeover or change in control is approved by the Board of Directors.

Common Stock

As of October 31, 1998 there were 20,204,250 shares of common stock outstanding which were held by nine stockholders. Holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Holders of common stock do not have cumulative voting rights, and, therefore, holders of a majority of the shares voting for the election of directors can elect all of the directors. In such event, the holders of the remaining shares will not be able to elect any directors.

Holders of the common stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors out of funds legally available therefor, subject to the terms of any existing or future agreements between the Company and its debtholders. The Company has never declared or paid cash dividends on its capital stock, expects to retain future earnings, if any, for use in the operation and expansion of its business, and does not anticipate paying any cash dividends in the foreseeable future. In the event of the liquidation, dissolution or winding up of the Company, the holders of common stock are entitled to share ratably in all assets legally available for distribution after payment of all debts and other liabilities and subject to the prior rights of any holders of preferred stock then outstanding.

Preferred Stock

Effective upon the closing of this offering, the Company will be authorized to issue 5,000,000 shares of undesignated preferred stock. The Board of Directors has the authority to issue the preferred stock in one or more series and to fix the price, rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting a series or the designation of such series, without any further vote or action by the Company's stockholders. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control of the Company without further action by the stockholders and may adversely affect the market price of, and the voting and other rights of, the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. The Company has no current plans to issue any shares of preferred stock.

Registration Rights

In connection with SERENA's September 1998 acquisition of Optima, the Company entered into a registration right agreement with certain shareholders of Optima who received an aggregate of 2,709,375 shares of common stock of the Company in exchange for their shares of Optima common stock. Pursuant to the registration rights agreement, such shareholders are entitled to certain rights with respect to the registration of such shares under the Securities Act. If the Company proposes to register any of its securities under the Securities Act, either for its own account or for the account of other security holders, such shareholders are entitled to notice of such registration and to include shares of common stock in such registration at the Company's expense. Additionally, such shareholders may require the Company to file additional registration statements on Form S-3 at the Company's expense. All of these registration rights are subject to certain conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in such registration.

Antitakeover Effects of Provisions of Certificate of Incorporation and Bylaws

Under Delaware law, all stockholder actions must be effected at a duly called annual or special meeting or by written consent. The Company's Bylaws provide that, except as otherwise required by law, special meetings of the stockholders can only be called by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer of the Company or stockholders holding shares in the aggregate entitled to cast not less than 10% of the votes at such meeting. In addition, the Company's Bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of persons for election to the Board.

Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the Board of Directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered timely written notice in proper form to the Company's Secretary of the stockholder's intention to bring such business before the meeting.

The foregoing provisions of the Company's Amended and Restated Certificate of Incorporation and Bylaws are intended to enhance the likelihood of continuity and stability in the composition of the Board of Directors and in the policies formulated by the Board of Directors and to discourage certain types of transactions which may involve an actual or threatened change of control of the Company. Such provisions are designed to reduce the vulnerability of the Company to an unsolicited acquisition proposal and, accordingly, could discourage potential acquisition proposals and could delay or prevent a change in control of the Company. Such provisions are also intended to discourage certain tactics that may be used in proxy fights but could, however, have the effect of discouraging others from making tender offers for the Company's shares and, consequently, may also inhibit fluctuations in the market price of the Company's shares that could result from actual or rumored takeover attempts. These provisions may also have the effect of preventing changes in the management of the Company. See "Risk Factors--Antitakeover Effects of Certain Charter Provisions."

Effect of Delaware Antitakeover Statute

The Company is subject to Section 203 of the Delaware General Corporation Law (the "Antitakeover Law"), which regulates corporate acquisitions. The Antitakeover Law prevents certain Delaware corporations, including those whose securities are listed for trading on the Nasdaq National Market, from engaging, under certain circumstances in a "business combination" with any "interested stockholder" for three years following the date that such stockholder became an interested stockholder. For purposes of the Antitakeover Law, a "business combination" includes, among other things, a merger or consolidation involving the Company and the interested shareholder and the sale of more than ten percent (10%) of the Company's assets. In general, the Antitakeover Law defines an "interested stockholder" as any entity or person beneficially owning 15% or more the outstanding voting stock of the Company and any entity or person affiliated with or controlling or controlled by such entity or person. A Delaware corporation may "opt out" of the Antitakeover Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from amendments approved by the holders of at least a majority of the Company's outstanding voting shares. The Company has not "opted out" of the provisions of the Antitakeover Law. See "Risk Factors--Antitakeover Effects of Delaware Law."

Transfer Agent

The Transfer Agent and Registrar for the Common Stock is ChaseMellon Shareholder Services, LLC.

Shares Eligible for Future Sale

Prior to this offering, there has been no market for the common stock, and there can be no assurance that a significant public market for the common stock will develop or be sustained after this offering. Sales of substantial amounts of common stock in the public market could adversely affect the market price of the common stock and could impair the Company's future ability to raise capital through the sale of its equity securities.

Upon completion of this offering, the Company will have outstanding 24,204,250 shares of Common Stock based upon shares outstanding at October 31, 1998 (assuming no exercise of the Underwriters' over-allotment option). Excluding to the 6,000,000 shares of common stock offered hereby (assuming no exercise of the Underwriters' over-allotment option), as of the effective date of the Registration Statement (the "Effective Date"), there will be 18,204,250 shares of common stock outstanding, all of which are "restricted" shares (the "Restricted Shares") under the Securities Act of 1933, as amended (the "Securities Act"). All Restricted Shares are subject to lock-up agreements with the underwriters pursuant to which the holders of the Restricted Shares have agreed not to sell, pledge or otherwise dispose of such shares for a period of 180 days after the date of this prospectus. Beginning 180 days after the Effective Date, approximately 16,516,750 additional Restricted Shares will become eligible for sale in the public market when the underwriter's lock-up agreements expire (unless the underwriters elect, in their sole discretion, the earlier release of such shares from the lock-up agreement). Of the 16,516,750 Restricted Shares that will become available at 180 days after Effective Date, 1,896,750 shares were issued to certain officers and directors of the Company pursuant to restricted stock agreements under the 1997 plan of which approximately 782,391 shares will remain subject to stock repurchase rights in favor of the Company on the Effective Date should such officers or directors terminate their relationship with SERENA. These repurchase rights will lapse ratably over time. In addition to the Restricted Shares described above, after such 180th day, approximately 1,687,500 additional Restricted Shares, all of which were issued in connection with the Company's September 1998 acquisition of Optima, will become available for sale at various times pursuant to Rule 144. Most of the Restricted Shares that will become available for sale in the public market beginning 180 days after the Effective Date will be subject to certain volume and other resale restrictions pursuant to Rule 144 because the holders are affiliates of the Company. Hambrecht & Quist may release the shares subject to the lock-up agreements in whole or in part at any time with or without notice.

In general, under Rule 144, an affiliate of the Company, or person (or persons whose shares are aggregated) who has beneficially owned Restricted Shares for at least one year, will be entitled to sell in any three-month period a number of shares that does not exceed the greater of (i) 1% of the then outstanding shares of the Common Stock (approximately 242,000 shares immediately after this offering) or (ii) the average weekly trading volume during the four calendar weeks preceding the date on which notice of the sale is filed with the Securities and Exchange Commission (the "Commission" or the "SEC"). Sales pursuant to Rule 144 are subject to certain requirements relating to manner of sale, notice and availability of current public information about the Company. A person (or persons whose

shares are aggregated) who is not deemed to have been an affiliate of the Company at any time during the 90 days immediately preceding the sale and who has beneficially owned his or her shares for at least two years is entitled to sell such shares pursuant to Rule 144(k) without regard to the limitations described above. Under Rule 701, shares issued under certain compensatory stock-based plans or agreements, such as the Company's option plan, may be resold under Rule 144 by non-affiliates subject only to the manner of sale requirements, and by affiliates without regard to the two-year holding period requirements, commencing 90 days after the date of this offering.

As of October 31, 1998, 2,153,250 shares were reserved for issuance under the 1997 Plan, of which options to purchase 796,860 shares were then outstanding and of which no options were then exercisable. In addition, an aggregate of 1,896,750 Restricted Shares had been issued to certain executive officers and directors of the Company under the 1997 Plan. In November 1998, the Company's board of directors approved (i) an increase of 500,000 shares reserved under the 1997 Plan; (ii) a reserve of 150,000 shares for options to be granted under the Director Option Plan; and (iii) a reserve of 225,000 shares for options to be granted under the Purchase Plan. See "Management--Incentive Stock Plans." The Company intends to file, within 180 days after the date of this prospectus, a Form S-8/S-3 registration statement under the Securities Act to register shares issued pursuant to restricted stock purchase agreements under the 1997 Plan, shares issued in connection with option exercises and shares reserved for issuance under all stock plans. Beginning 180 days after the Effective Date, approximately 253,267 shares issuable upon the exercise of vested options will become eligible for sale and 1,114,359 shares issued pursuant to restricted stock agreements under to the 1997 Plan which will no longer be subject to a repurchase option and will be eligible for resale. Shares of Common Stock issued pursuant to the restricted stock agreements under the 1997 Plan or upon exercise of options after the effective date of the Form S-8/S-3 will be available for sale in the public market, subject to Rule 144 volume limitations applicable to affiliates and lock-up agreements.

Lock-up Agreements

All officers and directors and certain holders of common stock and options to purchase common stock have agreed pursuant to certain "lock-up" agreements that they will not offer, sell, contract to sell, pledge, grant any option to sell, or otherwise dispose of, directly or indirectly, any shares of common stock or securities convertible or exchangeable for common stock, or warrants or other rights to purchase common stock for a period of 180 days after the transfer or date of this prospectus without the prior written consent of Hambrecht & Quist LLC.

Underwriting

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters named below (the "Underwriters"), through their Representatives, Hambrecht & Quist LLC, SG Cowen Securities Corporation, and SoundView Technology Group, Inc., have severally agreed to purchase from the Company and the selling stockholders the following respective numbers of shares of Common Stock.

Number of Name Shares

Hambrecht & Quist LLC..... SG Cowen Securities Corporation..... SoundView Technology Group, Inc.....

Total..... 6,000,000 The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, including the absence of any material adverse change in the Company's business and the receipt of certain certificates, opinions and letters from the Company and the selling stockholders, their counsel and the independent auditors. The nature of the Underwriters' obligation is such that they are committed to purchase all shares of common stock offered hereby if any of such shares are purchased.

The Underwriters propose to offer the shares of common stock directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at such price less a concession not in excess of $ per share. The Underwriters may allow and such dealers may reallow a concession not in excess of $ per share to certain other dealers. After the initial public offering of the shares, the offering price and other selling terms may be changed by the Representatives of the Underwriters.

The Company has granted to the Underwriters an option, exercisable no later than 30 days after the date of this prospectus, to purchase up to 900,000 additional shares of common stock at the initial public offering price, less the underwriting discount, set forth on the cover page of this prospectus. To the extent that the Underwriters exercise this option, each of the Underwriters will have a firm commitment to purchase approximately the same percentage thereof which the number of shares of common stock to be purchased by it shown in the above table bears to the total number of shares of common stock offered hereby. The Company will be obligated, pursuant to the option, to sell shares to the Underwriters to the extent the option is exercised. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of shares of common stock offered hereby.

The offering of the shares is made for delivery when, as and if accepted by the Underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice. The Underwriters reserve the right to reject an order for the purchase of shares in whole or in part.

The Company and selling stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the Underwriters may be required to make in respect thereof.

The Company, the selling stockholders, and certain other stockholders of the Company, including executive officers and directors, who will own in the aggregate shares of common stock after the offering, have agreed that they will not, without the prior written consent of Hambrecht & Quist LLC, offer, sell or otherwise dispose of any shares of common stock, options or warrants to acquire shares of common stock or securities exchangeable for or convertible into shares of common stock owned by them during the 180-day period following the date of this prospectus. The Company has agreed that it will not, without the prior written consent of Hambrecht & Quist LLC, offer, sell or otherwise dispose of any shares of common stock, options or warrants to acquire shares of common stock or securities

exchangeable for or convertible into shares of common stock during the 180-day period following the date of this prospectus, except that the Company may issue shares upon the exercise of options granted prior to the date hereof, and may grant additional options under its stock option plans, provided that, without the prior written consent of Hambrecht & Quist LLC, such additional options shall not be exercisable during such period.

Certain persons participating in this offering may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the common stock at levels above those which might otherwise prevail in the open market, including by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids. A stabilizing bid means the placing of any bid or effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of the common stock. A syndicate covering transaction means the placing of any bid on behalf of the underwriting syndicate or the effecting of any purchase to reduce a short position created in connection with the offering. A penalty bid means an arrangement that permits the Underwriters to reclaim a selling concession from a syndicate member in connection with the offering when shares of common stock sold by the syndicate member are purchased in syndicate covering transactions. Such transactions may be effected on the Nasdaq National Market, in the over-the counter market, or otherwise. Such stabilizing, if commenced, may be discontinued at any time.

Prior to the offering, there has been no public market for the common stock. The initial public offering price for the common stock will be determined by negotiation among the Company, the selling stockholders and the Representatives. Among the factors to be considered in determining the initial public offering price are prevailing market and economic conditions, revenues and earnings of the Company, market valuations of other companies engaged in activities similar to the Company, estimates of the business potential and prospects of the Company, the present state of the Company's business operations, the Company's management and other factors deemed relevant. The estimated initial public offering price range set forth on the cover of this preliminary prospectus is subject to change as a result of market conditions or other factors.

Legal Matters

The validity of the common stock offered hereby will be passed upon for the Company by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California. Certain legal matters will be passed upon for the Underwriters by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Menlo Park, California.

Experts

The consolidated financial statements and schedule of SERENA Software, Inc. as of January 31, 1997 and 1998, and for each of the years in the three-year period ended January 31, 1998, and the financial statements of Optima Software, Inc. as of December 31, 1996 and 1997, and for each of the years in the three-year period ended December 31, 1997, included herein and in the registration statement are

included in reliance upon the forms of report and report of KPMG Peat Marwick LLP, independent auditors, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

Change in Auditors

PricewaterhouseCoopers LLP was previously the principal accountants for the Company. On March 15, 1998, PricewaterhouseCoopers LLP's appointment as principal accountants was terminated and KPMG Peat Marwick LLP was engaged to audit the Company's and its subsidiaries' consolidated financial statements. The Board of Directors has approved the appointment of KPMG Peat Marwick LLP as principal accountants for the Company.

In connection with the audit for the fiscal year ended January 31, 1997 and the subsequent interim period through March 15, 1998, there were no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement.

The audit report of PricewaterhouseCoopers LLP on the consolidated financial statements of the Company and its subsidiaries as of and for the year ended January 31, 1997 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

Additional Serena Information

SERENA has filed with the SEC a registration statement on Form S-1 with respect to the common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement. For further information with respect to SERENA and the common stock, reference is made to the registration statement and the exhibits and schedules thereto. You may read and copy any document we file at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from our Web site at http://www.serena.com or the SEC's Web site at http://www.sec.gov.

Upon completion of this offering, SERENA will become subject to the information and periodic reporting requirements of the Securities and Exchange Act, as amended, and, in accordance therewith, will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference rooms, SERENA's Web site and the Web site of the SEC referred to above.

Index to Financial Statements

Page

SERENA SOFTWARE, INC. CONSOLIDATED FINANCIAL STATEMENTS
- Form of Independent Auditors' Report F-2
- Consolidated Balance Sheets F-3
- Consolidated Statements of Income F-4
- Consolidated Statements of Stockholders' Equity F-5
- Consolidated Statements of Cash Flows F-6
- Notes to Consolidated Financial Statements F-7

OPTIMA SOFTWARE, INC. FINANCIAL STATEMENTS
- Independent Auditors' Report F-17
- Balance Sheets F-18
- Statements of Income and Retained Earnings F-19
- Statements of Cash Flows F-20
- Notes to Financial Statements F-21

PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
- Condensed Combined Balance Sheets F-27
- Condensed Combined Statements of Income F-28
- Notes to Pro Forma Financial Statements F-30

Form of Independent Auditors' Report

The Board of Directors and Shareholders SERENA Software, Inc.

When the reincorporation referred to in Note 4(b) of the Notes to Consolidated Financial Statements has been consummated, we will be in a position to render the following report.

Kpmg Peat Marwick Llp

We have audited the accompanying consolidated balance sheets of SERENA Software, Inc. and subsidiaries as of January 31, 1997 and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended January 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SERENA Software, Inc. and its subsidiaries as of January 31, 1997 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended January 31, 1998, in conformity with generally accepted accounting principles.

September 4, 1998, except as to Note 4(b), which is as of November 19, 1998

Serena Software, Inc.

Consolidated Balance Sheets

	JANUARY 31,		JULY 31,
	1997	1998	1998
			(UNAUDITED)

Assets

Current assets:			
Cash and cash equivalents	$ 4,030,890	$ 9,024,015	$ 15,664,878
Accounts receivable, net of allowance of $30,000, $197,000 and $251,000, in fiscal 1997, 1998 and 1999, respectively	2,543,806	8,964,905	6,201,706
Due from principal stockholder	575,529	90,115	181,504
Prepaid expenses and other current assets	374,468	729,205	937,494
Total current assets	7,524,693	18,808,240	22,985,582
Property and equipment, net	1,311,168	1,389,843	1,307,316
Due from principal stockholder	174,471	108,640	530,446
Other assets	222,679	259,798	271,506
	$ 9,233,011	$ 20,566,521	$ 25,094,850

Liabilities and Stockholders' Equity

Current liabilities:			
Accounts payable	$ 258,417	$ 455,015	$ 527,141
Income taxes payable	142,297	707,934	--
Accrued expenses	1,891,219	4,567,009	4,004,413
Deferred revenue	4,614,699	6,136,460	7,564,975

Total current liabilities	6,906,632	11,866,418	12,096,529	
Deferred revenue, net of current portion	280,565	1,715,349	1,981,991	
Total liabilities	7,187,197	13,581,767	14,078,520	
Commitments				
Stockholders' equity:				
Preferred stock, $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	--	--	--	
Common stock, $0.001 par value; 60,000,000 shares authorized; 15,750,000, 16,960,500 and 17,016,750 shares issued and outstanding in fiscal 1997, 1998 and 1999, respectively	15,750	16,961	17,017	
Additional paid-in capital	(14,747)	5,102,542	5,601,299	
Notes receivable from stockholders	--	(1,840,500)	(1,921,500)	
Deferred stock-based compensation	--	(3,098,197)	(1,957,917)	
Accumulated other comprehensive losses	(28,603)	(30,604)	(28,410)	
Retained earnings	2,073,414	6,834,552	9,305,841	
Total stockholders' equity	2,045,814	6,984,754	11,016,330	
	$ 9,233,011	$ 20,566,521	$ 25,094,850	

See accompanying notes to consolidated financial statements.

Serena Software, Inc.

Consolidated Statements of Income

SIX MONTHS ENDED JULY 31, FISCAL YEAR ENDED JANUARY 31, 1996 1997 1998 1997 1998 (UNAUDITED)

Revenue:					
Software licenses	$ 4,605,844	$ 8,228,650	$ 17,838,946	$ 6,503,984	$ 9,988,727
Maintenance	5,679,303	8,730,172	12,257,724	5,688,394	7,734,534
Professional services	458,814	495,251	2,050,366	786,640	1,192,577
Total revenue	10,743,961	17,454,073	32,147,036	12,979,018	18,915,838
Operating expenses:					
Cost of revenue	3,330,363	5,206,961	6,813,240	2,872,048	3,816,130
Sales and marketing	2,504,664	4,605,138	7,946,797	3,538,200	5,706,702
Research and development	2,997,889	4,320,905	5,517,787	2,369,083	2,073,228
General and administrative	1,727,305	2,295,586	3,295,842	1,327,718	1,692,181
Stock-based compensation	--	--	879,803	--	

1,558,093					
Total operating expenses.....	10,560,221	16,428,590	24,453,469	10,107,049	14,846,334
Operating income.....	183,740	1,025,483	7,693,567	2,871,969	4,069,504
Interest and other income, net.....	159,973	115,223	321,061	130,320	343,514
Income before income taxes.....	343,713	1,140,706	8,014,628	3,002,289	4,413,018
Income taxes.....	66,218	278,332	3,253,490	1,081,503	1,941,729
Net income.....	277,495	862,374	4,761,138	1,920,786	2,471,289
Translation adjustment.....	4,904	(25,782)	(2,001)	(444)	2,194
Comprehensive income.....	$ 282,399	$ 836,592	$ 4,759,137	$ 1,920,342	$ 2,473,483
Net income per share:					
Basic.....	$ 0.02	$ 0.05	$ 0.31	$ 0.12	$ 0.16
Diluted.....	$ 0.02	$ 0.05	$ 0.31	$ 0.12	$ 0.15
Shares used to compute net income per share:					
Basic.....	15,750,000	15,750,000	15,247,750	15,375,500	15,638,930
Diluted.....	15,750,000	15,750,000	15,272,189	15,375,500	16,360,793

See accompanying notes to consolidated financial statements.

SERENA SOFTWARE, INC. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1998 (INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 1998 IS UNAUDITED)

	COMMON STOCK		ADDITIONAL	DEFERRED	NOTES RECEIVABLE	ACCUMULATED OTHER	TOTAL
	SHARES	AMOUNT	PAID-IN CAPITAL	STOCK-BASED COMPENSATION	FROM STOCKHOLDERS	COMPREHENSIVE LOSSES	RETAINED EARNINGS	STOCKHOLDERS' EQUITY
Balances as of January 31, 1995.....	15,750,000	$ 15,750	$ (14,747)	$ --	$ --	$ (7,726)	$ 933,545	$ 926,822
Net income.....	--	--	--	--	--	--	277,495	277,495
Translation adjustment....	--	--	--	--	--	4,905	--	4,905
Balances as of January 31, 1996.....	15,750,000	15,750	(14,747)	--	--	(2,821)	1,211,040	1,209,222
Net income.....	--	--	--	--	--	--	862,374	862,374
Translation adjustment....	--	--	--	--	--	(25,782)	--	(25,782)
Balances as of January 31, 1997.....	15,750,000	15,750	(14,747)	--	--	(28,603)	2,073,414	2,045,814
Repurchase of common stock.....	(630,000)	(630)	(699,370)	--	--	--	--	(700,000)
Issuance of restricted common stock for notes receivable....	1,840,500	1,841	5,519,659	(3,681,000)	(1,840,500)	--	--	--
Deferred stock-based compensation related to grants of stock options.....	--	--	297,000	(297,000)	--	--	--	--
Amortization of deferred stock-based compensation...	--	--	--	879,803	--	--	--	879,803
Net income.....	--	--	--	--	--	--	4,761,138	4,761,138
Translation adjustment....	--	--	--	--	--	(2,001)	--	(2,001)
Balances as of January 31, 1998.....	16,960,500	16,961	5,102,542	(3,098,197)	(1,840,500)	(30,604)	6,834,552	6,984,754
Issuance of restricted common stock for note receivable....	56,250	56	238,757	(157,813)	(81,000)	--	--	--
Deferred stock-based compensation related to grants of								

stock options..... -- -- 260,000 (260,000) -- -- -- -- Amortization of deferred stock-based compensation... -- -- -- 1,558,093 -- -- -- 1,558,093 Net income..... -- -- -- -- -- -- 2,471,289 2,471,289 Translation adjustment.... -- -- -- -- -- 2,194 -- 2,194 Balances as of July 31, 1998..... 17,016,750 $ 17,017 $5,601,299 $(1,957,917) $(1,921,500) $ (28,410) $9,305,841 $11,016,330 See accompanying notes to consolidated financial statements.

Serena Software, Inc.

Consolidated Statements of Cash Flows

SIX MONTHS ENDED JULY 31, FISCAL YEAR ENDED JANUARY 31, 1996 1997 1998 1997 1998 (UNAUDITED)

Cash flows from operating activities:					
Net income	$ 277,495	$ 862,374	$ 4,761,138	$ 1,920,788	$ 2,471,289
Adjustment to reconcile net income to net cash provided by operating activities:					
Depreciation	218,083	327,648	430,664	201,595	266,620
Deferred income taxes	(51,429)	2,208	(462,876)	--	--
Gain on sale of property and equipment	--	--	58,130	--	--
Amortization of deferred stock-based compensation	--	--	879,803	--	1,558,093
Changes in operating assets and liabilities:					
Accounts receivable	(1,144,500)	(98,782)	(6,421,099)	(1,716,273)	2,763,199
Prepaid expenses and other assets	89,768	(130,210)	71,020	4,106	(219,997)
Accounts payable	115,198	(25,094)	196,598	124,063	72,126
Income taxes payable	--	142,297	565,637	536,213	(707,934)
Accrued expenses	911,680	154,877	2,675,790	(574,604)	(562,596)
Deferred revenue	1,080,883	1,407,578	2,956,545	480,505	1,695,157
Net cash provided by operating activities	1,497,178	2,642,896	5,711,350	976,393	7,335,957
Cash flows used in investing activities:					
Purchases of property and equipment	(614,620)	(676,420)	(567,469)	(188,120)	(184,093)
Issuance of notes due from stockholder	--	(750,000)	(130,000)	(130,000)	(600,000)
Payment of notes due from stockholder	--	--	681,245	677,984	86,805
Net cash used by investing activities	(614,620)	(1,426,420)	(16,224)	359,864	(697,288)
Cash flows from financing activities--repurchase of common stock	--	--	(700,000)	(700,000)	--
Effect of exchange rate changes on cash	4,905	(25,782)	(2,001)	(444)	2,194
Net increase in cash and cash equivalents	887,463	1,190,694	4,993,125		

```
635,813      6,640,863
Cash and cash equivalents at beginning of period.........     1,952,733     2,840,196     4,030,890
4,030,890      9,024,015
Cash and cash equivalents at end of period..............  $  2,840,196  $  4,030,890  $  9,024,015  $
4,666,703  $  15,664,878
Supplemental disclosures of cash flow information:
Income taxes paid.....................................  $     62,083  $    119,200  $  3,106,632  $
498,635  $   2,676,500
Noncash investing and financing activity--restricted
  stock issued in exchange for notes receivable.....  $         --  $         --  $  1,840,500  $
--  $      81,000
```

See accompanying notes to consolidated financial statements.

Serena Software, Inc.

Notes to Consolidated Financial Statements

FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1997 AND 1998 (INFORMATION AS OF JULY 31, 1998 AND FOR THE SIX MONTH PERIODS ENDED JULY 31, 1997 AND 1998 IS UNAUDITED)

(1) Description of Business and Summary of Significant Accounting Policies

(a) DESCRIPTION OF BUSINESS SERENA Software, Inc. (the "Company") is a leading provider of software change management products and services for managing and controlling change throughout the software application lifecycle. Its principal markets are North America and Europe. Export sales represented approximately 19%, 15%, and 15% of revenue for the fiscal years ended January 31, 1996, 1997, and 1998, respectively.

(b) PRINCIPLES OF CONSOLIDATION The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

(c) FOREIGN CURRENCY TRANSLATION The functional currency of the Company's U.K. subsidiary is the British pound. This foreign subsidiary's financial statements are translated using current exchange rates for balance sheet accounts and average rates for income statement accounts. Translation adjustments are recorded in stockholders' equity. Foreign currency transaction gains and (losses) are included in other income, and totaled $(26,000), $(5,000), and $74,000 in fiscal 1996, 1997, and 1998, respectively.

(d) CASH AND CASH EQUIVALENTS The Company considers all highly liquid investments purchased with remaining maturities of three months or less at the date of purchase to be cash equivalents. As of January 31, 1997 and 1998, cash equivalents consisted of commercial paper and money market funds.

(e) PROPERTY AND EQUIPMENT Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally three to five years. Recoverability of property and equipment is measured by comparison of the carrying amount to future net cash flows the property and equipment are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the difference between the carrying amount of the property and equipment and its fair value. To date, the Company has made no adjustments to the carrying values of its long-lived assets.

(f) SOFTWARE DEVELOPMENT COSTS Development costs related to software products are expensed as incurred until technological feasibility of the product has been established. Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working model and the point at which the product is ready for general release have not been significant, and, accordingly, no costs have been capitalized.

FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1997 AND 1998 (INFORMATION AS OF JULY 31, 1998 AND FOR THE SIX MONTH PERIODS ENDED JULY 31, 1997 AND 1998 IS UNAUDITED) (1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) (g) INCOME TAXES Income taxes are recorded using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(h) CONCENTRATIONS OF CREDIT RISK Financial instruments, potentially subjecting the Company to concentrations of credit risk, consist primarily of temporary cash investments and accounts receivable. The Company places its temporary cash investments with two major financial institutions. The Company maintains an allowance for potential credit losses on customer accounts. For the fiscal years ended January 31, 1996, 1997, and 1998, Optima Software, Inc. (Optima), a distributor, accounted for 36%, 31%, and 27% of revenues, respectively. Optima accounted for 33% and 19% of accounts receivable as of January 31, 1997 and 1998, respectively. The Company's principal stockholder owns 15% of the capital stock of Optima.

(i) FAIR VALUE OF FINANCIAL INSTRUMENTS The fair value of the Company's cash and cash equivalents, accounts receivable, and accounts payable approximate their respective carrying amounts.

(j) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) REVENUE RECOGNITION The Company sells its products to its distributors and end users under license agreements. Each new license includes maintenance and enhancements for a one-year period. Revenue from these agreements, excluding initial maintenance revenue included with the license, is recognized upon receipt and acceptance of a signed contract and delivery of the software, provided the related fee is fixed and determinable, collectibility of the revenue is probable and the arrangement does not involve significant customization of the software. If an acceptance period is required, revenue is recognized upon the earlier of customer acceptance or the expiration of the acceptance period, as defined in the applicable software license agreement.

FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1997 AND 1998 (INFORMATION AS OF JULY 31, 1998 AND FOR THE SIX MONTH PERIODS ENDED JULY 31, 1997 AND 1998 IS UNAUDITED) (1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) The Company recognizes maintenance revenue ratably over the life of the related contract, generally 12 months. Maintenance contracts on perpetual licenses are available annually. The Company typically invoices and collects maintenance revenue on an annual basis at the anniversary date of the license. Service and other revenue includes fees derived from the delivery of training, installation, and consulting services. Revenue from training, installation, and consulting services is recognized as the related services are performed. Deferred revenue represents amounts received by the Company in advance of product delivery or service performance.

(l) STOCK-BASED COMPENSATION The Company uses the intrinsic value method to account for stock-based compensation. The Company amortizes deferred stock-based compensation in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 28.

(m) NET INCOME PER SHARE Basic net income per share is computed using the weighted-average number of shares of common stock. Diluted net income per share is computed using the weighted-average number of shares of common stock outstanding and, when dilutive, common equivalent shares from restricted stock and options to purchase common stock using the treasury stock method.

(n) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSSES) Accumulated other comprehensive income (losses) consists entirely of cumulative translation adjustments resulting from the Company's application of its foreign currency translation policy. The tax effects of translation adjustments were not significant during any of the periods presented.

(o) RECENT ACCOUNTING PRONOUNCEMENTS The FASB recently issued Statement of Financial Accounting Standards ("SFAS") No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS No. 133 addresses the accounting for derivative instruments, including certain derivative instruments embedded in other contracts. Under SFAS No. 133, entities are required to carry all derivative instruments in the balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. The Company must adopt SFAS No. 133 by October 1, 1999. The Company does not anticipate that SFAS No. 133 will have an effect on its financial statements.

Serena Software, Inc.

Notes to Consolidated Financial Statements (Continued)

FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1997 AND 1998 (INFORMATION AS OF JULY 31, 1998 AND FOR THE SIX MONTH PERIODS ENDED JULY 31, 1997 AND 1998 IS UNAUDITED)

(2) Property and Equipment

Property and equipment consists of the following:

January 31, 1997 1998

Computers and equipment.....	$ 1,856,513	$ 1,714,960
Furniture and fixtures.....	350,991	399,145
Automobiles.....	107,110	107,110
	2,314,614	2,221,215
Less accumulated depreciation.....	1,003,446	831,372
	$ 1,311,168	$ 1,389,843

(3) Accrued Expenses

Accrued expenses consists of the following:

January 31, 1997 1998

Profit sharing	$ 665,054	$ 1,443,014
Management incentive bonuses	420,500	693,500
Payroll-related items	143,399	242,365
Commissions	157,088	592,527
Other	505,178	1,595,603
	$ 1,891,219	$ 4,567,009

(4) Stockholders' Equity

(a) REPURCHASE OF COMMON STOCK In April 1997, the Company repurchased 630,000 shares of its common stock for cash at a price of $1.11 per share from a founder.

(b) STOCK SPLITS AND REINCORPORATION In June 1997, the Company's Board of Directors authorized a 70,000 to 1 stock split. In July 1998 and again in November 1998, the Company's Board of Directors authorized a 3-for-2 stock split. In November 1998, the Board of Directors approved the reincorporation of the Company in the State of Delaware. Share information has been restated in the accompanying consolidated financial statements to reflect the reincorporation and stock splits for all periods presented.

Serena Software, Inc.

Notes to Consolidated Financial Statements (Continued)

FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1997 AND 1998 (INFORMATION AS OF JULY 31, 1998 AND FOR THE SIX MONTH PERIODS ENDED JULY 31, 1997 AND 1998 IS UNAUDITED) (4) STOCKHOLDERS' EQUITY (CONTINUED) (c) RESTRICTED STOCK AGREEMENTS In January 1998, the Company issued 1,840,500 shares of restricted common stock to certain officers at $1.00 per share in exchange for full recourse notes. In March 1998, the Company issued 56,250 shares of restricted common stock to a director at $1.44 per share in exchange for a full recourse note. Restrictions lapse over three or four years, depending upon the individual, based on continued employment or service on the Board of Directors. In the event an employee is terminated or the director leaves the service of the Board, the Company has the right to repurchase, for a price equal to the individual's original purchase price, any remaining restricted shares held by the individual.

In connection with restricted common stock issued in January 1998, the Company recorded deferred stock-based compensation of $3,681,000 representing the difference between the issuance price and the fair value of the Company's common stock at the date of issuance. An additional $157,813 of deferred stock-based compensation was recorded for the March 1998 issuance. These amounts are

being amortized over the restriction period of the individual shares. Stock-based compensation related to restricted common stock of $865,228 and $1,407,712 was recognized during the fiscal year ended January 31, 1998 and the six months ended July 31, 1998, respectively.

(d) NET INCOME PER SHARE The following is a reconciliation of the shares used in the computation of basic and diluted net income per share:

	FISCAL YEAR ENDED JANUARY 31,			SIX MONTHS ENDED JULY 31,	
	1996	1997	1998	1997	1998
				(UNAUDITED)	

Basic net income per share--weighted average number of common shares outstanding..... 15,750,000 15,750,000 15,247,750 15,375,500 15,638,930 Effect of potentially dilutive securities outstanding-- restricted stock and options..... -- -- 24,439 -- 721,863 Shares used in diluted net income per share computation..... 15,750,000 15,750,000 15,272,189 15,375,500 16,360,793

Serena Software, Inc.

Notes to Consolidated Financial Statements (Continued)

FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1997 AND 1998 (INFORMATION AS OF JULY 31, 1998 AND FOR THE SIX MONTH PERIODS ENDED JULY 31, 1997 AND 1998 IS UNAUDITED)

(5) Income Taxes

Income taxes are as follows:

Fiscal Year Ended January 31, 1996 1997 1998

Current:			
Federal	$ 114,504	$ 267,376	$ 3,135,927
State	1,279	3,171	554,436
Foreign	1,864	5,577	26,003
	117,647	276,124	3,716,366
Deferred:			
Federal	(22,765)	(9,427)	(361,220)
State	(29,906)	8,433	(101,656)
Foreign	1,242	3,202	--
	(51,429)	2,208	(462,876)
Total income taxes	$ 66,218	$ 278,332	$ 3,253,490

The Company's effective tax rate differs from the statutory federal income tax rate of 34% primarily due to the following:

Fiscal Year Ended January 31, 1996 1997 1998

Tax expense at federal statutory rate...	$ 116,863	$ 387,839	$ 3,024,106
Research and experimentation credit.....	(52,836)	(158,663)	(233,996)
State tax, net of federal benefit.....	(18,894)	7,659	298,833
Foreign sales corporation benefit.....	--	--	(53,208)
Other.....	21,085	41,497	217,755
Total income taxes.....	$ 66,218	$ 278,332	$ 3,253,490

Serena Software, Inc.

Notes to Consolidated Financial Statements (Continued)

FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1997 AND 1998 (INFORMATION AS OF JULY 31, 1998 AND FOR THE SIX MONTH PERIODS ENDED JULY 31, 1997 AND 1998 IS UNAUDITED) (5) INCOME TAXES (CONTINUED) The Company's net deferred tax assets are summarized as follows:

January 31, 1996 1997 1998

Deferred tax assets:			
Allowance for doubtful accounts.....	$ --	$ --	$ 83,143
Accrued expenses.....	--	--	321,911
Cash to accrual adjustments.....	213,833	234,525	274,643
State taxes.....	--	--	111,608
Other.....	93,197	70,297	24,411
Total deferred tax asset.....	307,030	304,822	815,716
Deferred tax liability--property and equipment.....	--	--	(48,018)
Net deferred tax asset.....	$ 307,030	$ 304,822	$ 767,698

Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets.

(6) Employee Benefit Plans

(a) RETIREMENT PLAN

The Company has a defined contribution retirement plan for all eligible employees. Participants may make contributions to the plan in accordance with provisions of the plan. The Company may make discretionary contributions to the plan. For the years ended January 31, 1996, 1997, and 1998, the Company made contributions of $98,554, $196,329, and $285,486, respectively. Such contributions generally vest over six years.

(b) STOCK OPTION PLAN In October 1997, the Company's Board of Directors approved the Company's 1997 Stock Option and Incentive Plan (the Plan). The Plan allows for grants to officers, directors and employees of the Company incentive stock options, nonqualified stock options and

restricted stock. Options are generally granted for a 10-year term (5 years if the employee is more than a 10% shareholder) and generally vest over 4 years. Options are generally granted at fair market value (110% of fair market value if optionee is a more than a 10% shareholder), as determined by the Board of Directors. Restricted stock may be granted pursuant to the Plan, as evidenced by agreement and determined by the Board of Directors.

The Plan automatically terminates in September 2007. Each option and award granted under the Plan will remain in effect until such option or award has been satisfied by the issuance of shares or terminated in accordance with its terms and the terms of the Plan.

Serena Software, Inc.

Notes to Consolidated Financial Statements (Continued)

FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1997 AND 1998 (INFORMATION AS OF JULY 31, 1998 AND FOR THE SIX MONTH PERIODS ENDED JULY 31, 1997 AND 1998 IS UNAUDITED) (6) EMPLOYEE BENEFIT PLANS (CONTINUED) Stock option activity under the Plan is as follows:

	SHARES AVAILABLE FOR GRANT	OPTIONS OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE PER SHARE
Shares reserved	3,375,000	--		
Restricted stock issued--Note 4(c)	(1,840,500)	--		
Granted with an exercise price below the fair value of common stock	(204,750)	204,750	$1.00	$3.00
Balances as of January 31, 1998	1,329,750	204,750	1.00	3.00
Authorized	675,000	--		
Restricted stock issued--Note 4(c)	(56,250)	--		
Granted with an exercise price below the fair value of common stock (unaudited)	(101,250)	101,250	1.54	4.11
Granted with an exercise price equal to the fair value of common stock (unaudited)	(551,610)	551,610	4.67	4.67
Cancelled	56,250	(56,250)	1.00	
Balances as of July 31, 1998 (unaudited)	1,351,890	801,360	3.59	4.29

In connection with options granted in January 1998, the Company has recorded deferred stock-based compensation of $297,000 representing the difference between the exercise price and the fair value of the Company's common stock at the date of grant. An additional $260,000 of deferred stock-based compensation was recorded for options issued during the six months ended July 31, 1998. The amount is being amortized over the vesting period of the individual options, generally 4 years. Stock-based compensation related to options to purchase common stock of

Serena Software, Inc.

Notes to Consolidated Financial Statements (Continued)

FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1997 AND 1998 (INFORMATION AS OF JULY 31, 1998 AND FOR THE SIX MONTH PERIODS ENDED JULY 31, 1997 AND 1998 IS UNAUDITED) (6) EMPLOYEE BENEFIT PLANS (CONTINUED) $14,575 and $150,381 was recognized during the fiscal year ended January 31, 1998 and six months ended July 31, 1998, respectively.

Had compensation expense for the Company's stock-based compensation plans, including the restricted stock discussed in Note 4(c), been determined consistent with SFAS No. 123 using the minimum value option-pricing model, the Company's net income in fiscal 1998 would not have been materially affected. Assumptions used for fiscal 1998 were as follows: no expected dividends; an average risk-free interest rate of 5.9%; and an average expected restricted stock or option term of 4.5 years. As of January 31, 1998, the weighted average exercise price and weighted-average remaining contractual life of outstanding options was $1.00 and 4.4 years, respectively. As of January 31, 1998, none of the outstanding options were exercisable. The weighted-average fair value of options granted in 1998 was $2.00 per share.

(7) Commitments

(a) LEASES

The Company has noncancelable operating lease agreements for office space that expire in 2001 and 2002. Minimum lease payments for the five succeeding years are as follows:

Fiscal Year Ending January 31,

1999	$ 532,228
2000	602,415
2001	597,085
2002	681,517
2003	379,880
	$ 2,793,125

Rent expense was $261,766, $357,262 and $454,087 for the fiscal years ended January 31, 1996, 1997, and 1998, respectively.

(b) LICENSING AND OTHER AGREEMENTS The Company has commitments under licensing agreements that provide for royalty payments based on revenues of certain products. For the fiscal years ended January 31, 1996, 1997, and 1998, the Company's royalty expense under these license agreements was $1,276,843, $1,425,918, and $2,075,083, respectively.

The Company had a Marketing Agreement with Sterling Software, Inc. (Sterling). Pursuant to the Marketing Agreement, Sterling was granted the exclusive right to market and sell the Company's COMPAREX software product and was obligated to pay the Company a royalty of 50% of all license and maintenance revenues. Pursuant to a Termination Agreement dated September 20, 1995, Sterling forfeited all rights relating to the Company's COMPAREX software product. The

FISCAL YEARS ENDED JANUARY 31, 1996, 1997, AND 1998 AND SIX MONTHS ENDED JULY 31, 1997 AND 1998 (INFORMATION AS OF JULY 31, 1998 AND FOR THE SIX MONTH PERIODS ENDED JULY 31, 1997 AND 1998 IS UNAUDITED) (7) COMMITMENTS (CONTINUED) Company was obligated to pay Sterling a certain percentage of maintenance revenues related to maintenance agreement renewals for existing Sterling customers through September 1996. In addition, pursuant to an amended Termination Agreement, dated September 30, 1996, the Company paid Sterling $1,250,000, representing payment in full for all maintenance renewals in lieu of any further payments, as set forth in the original Termination Agreement. The Company recorded the termination payment as a cost of revenue in the year ended January 31, 1997.

(8) Due from Principal Stockholder

In March 1996, the Company advanced $250,000 to its principal stockholder and received an unsecured promissory note to be paid in three equal annual installments of principal and interest on March 15, 1997, March 15, 1998, and March 15, 1999, with a stated interest rate of 10% per annum. As of January 31, 1997 and 1998, $272,969 and $189,905, respectively, of principal and accrued interest was outstanding.

In November 1996, the Company advanced $500,000 to its principal stockholder in exchange for an unsecured promissory note due upon the earlier of the sale of his residence or November 13, 1997, with a stated interest rate of 10% per annum. As of January 31, 1997, $510,883 of principal and accrued interest was outstanding. Principal and accrued interest was paid in full during fiscal 1998.

In July 1998, the Company advanced $600,000 to its principal stockholder in exchange for a promissory note secured by shares of the Company's common stock. The loan accrues interest at 5.56%. The principal and interest are due and payable in three equal installments of $222,641 payable on the annual anniversary of the funding of the loan.

Interest income on amounts due from the principal stockholder was $33,852 and $35,769 for fiscal 1997 and 1998, respectively.

(9) Subsequent Events (Unaudited)

On September 25, 1998, the Company acquired all of the outstanding shares of Optima in exchange for the issuance of 3,187,500 shares of the Company's common stock. The acquisition will be accounted for by the purchase method of accounting. Optima will function as a wholly owned subsidiary of the Company. Optima is the primary distributor of the Company's CHANGE MAN software product.

Independent Auditors' Report

The Board of Directors and Shareholders Optima Software, Inc.

We have audited the accompanying balance sheets of Optima Software, Inc. as of December 31, 1996 and 1997, and the related statements of income and retained earnings and cash flows for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Optima Software, Inc. as of December 31, 1996 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles.

Kpmg Peat Marwick Llp

Mountain View, California October 16, 1998

Optima Software, Inc.

Balance Sheets

DECEMBER 31, 1996 1997 JUNE 30, 1998 (UNAUDITED)

Assets

Current assets:			
Cash and cash equivalents	$ 1,645,467	$ 1,439,613	$ 3,408,156
Accounts receivable	2,993,583	5,513,058	3,928,437
Prepaid expenses and other current assets	3,874	43,982	79,633
Total current assets	4,642,924	6,996,653	7,416,226
Property and equipment, net	43,229	122,679	142,884
Other assets	88,886	121,807	177,087
	$ 4,775,039	$ 7,241,139	$ 7,736,197

Liabilities and Shareholders' Equity

Current liabilities--accounts payable and accrued expenses..... $ 2,035,853 $ 3,347,135 $ 2,948,003 Commitments

Shareholders' equity:			
Common stock, no par value; 1,000 shares authorized, issued and outstanding in 1996 and 1997	130,000	130,000	130,000
Retained earnings	2,609,186	3,764,004	4,658,194
Total shareholders' equity	2,739,186	3,894,004	4,788,194
	$ 4,775,039	$ 7,241,139	$ 7,736,197

See accompanying notes to financial statements.

Optima Software, Inc.

Statements of Income and Retained Earnings

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1995	1996	1997	1997	1998
					(UNAUDITED)
Revenue:					
Distributed software products	$ 7,076,889	$ 11,007,066	$ 16,946,652	$ 6,937,020	$ 9,185,549
Professional services	944,102	1,703,178	3,612,152	1,489,881	2,319,781
Total revenue	8,020,991	12,710,244	20,558,804	8,426,901	11,505,330
Operating expenses:					

Cost of revenue.....	4,810,550	7,195,065	11,419,924	4,686,240	7,052,261
Sales and marketing.....	1,497,113	2,224,703	3,650,997	1,398,726	1,228,303
General and administrative.....	946,244	1,404,149	2,281,320	917,727	494,486
Total operating expenses.....	7,253,907	10,823,917	17,352,241	7,002,693	8,775,050
Operating income.....	767,084	1,886,327	3,206,563	1,424,208	2,730,280
Interest and other income, net.....	5,041	87,755	139,387	40,661	76,544
Income before income taxes.....	772,125	1,974,082	3,345,950	1,464,869	2,806,824
Income taxes.....	31,219	81,757	186,132	106,308	103,301
Net income.....	740,906	1,892,325	3,159,818	1,358,561	2,703,523
Retained earnings at beginning of period.....	494,017	829,445	2,609,186	2,609,186	3,764,004
Dividends paid.....	(405,478)	(112,584)	(2,005,000)	(1,355,000)	(1,809,333)
Retained earnings at end of period.....	$ 829,445	$ 2,609,186	$ 3,764,004	$ 2,612,747	$ 4,658,194
Unaudited pro forma information:					
Income before income taxes, as reported.....	772,125	1,974,082	3,345,950	1,464,869	2,806,824
Pro forma income taxes.....	321,192	849,419	1,424,973	623,858	1,192,900
Pro forma net income.....	$ 450,933	$ 1,124,663	$ 1,920,977	$ 841,011	$ 1,613,924

See accompanying notes to financial statements.

Optima Software, Inc.

Statements of Cash Flows

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Cash flows from operating activities: Net income.....	$ 740,906	$ 1,892,325	$ 3,159,818	$ 1,358,561	$ 2,703,523
Adjustment to reconcile net income to net cash provided by operating activities: Depreciation.....	40,537	47,403	43,949	21,833	21,596
Changes in operating assets and liabilities: Accounts receivable.....	(719,057)	(1,082,937)	(2,519,475)	(308,189)	1,584,621
Prepaid expenses and other assets...	(10,053)	(1,470)	(31,841)	(19,276)	(90,301)
Accounts payable and accrued expenses.....	322,129	561,020	1,311,282	655,989	(399,132)
Deferred revenues.....	50,000	(50,000)	--	57,253	--
Net cash provided by operating activities.....	424,462	1,366,341	1,963,733	1,766,171	3,820,307
Cash flows used in investing activities: Purchase of property and equipment.....	(52,380)	(33,882)	(123,399)	(20,224)	(41,801)
Issuance of notes					

receivable..... -- -- (41,188) -- (630) Payment of notes due from shareholder... (92,528) (144,003) -- -- -- Net cash used in investing activities..... (144,908) (177,885) (164,587) (20,224) (42,431) Cash flows from financing activities-- payment of dividends..... (405,478) (112,584) (2,005,000) (1,355,000) (1,809,333) Net change in cash and cash equivalents... (125,924) 1,075,872 (205,854) 390,947 1,968,543 Cash and cash equivalents at beginning of period..... 695,519 569,595 1,645,467 1,645,467 1,439,613 Cash and cash equivalents at end of period..... $ 569,595 $ 1,645,467 $ 1,439,613 $ 2,036,414 $ 3,408,156 Supplemental disclosures of cash flow information--income taxes paid..... $ 15,862 $ 80,163 $ 181,535 $ 106,308 $ 103,301 See accompanying notes to financial statements.

Optima Software, Inc.

Notes to Financial Statements

Years Ended December 31, 1995, 1996, and 1997 and Six Months Ended June 30, 1997 and 1998

(INFORMATION AS OF JUNE 30, 1998 AND FOR THE SIX MONTH PERIODS ENDED JUNE 30, 1997 AND 1998 IS UNAUDITED)

(1) Description of Business and Summary of Significant Accounting Policies

(a) DESCRIPTION OF BUSINESS Optima Software, Inc. (the "Company") is the primary distributor of SERENA Software, Inc.'s ("SERENA") CHANGE MAN product. Its principal markets are North America, Europe, and Asia. Foreign sales represented approximately 13%, 12%, and 14% of revenue for the years ended December 31, 1995, 1996, and 1997, respectively.

(b) CASH AND CASH EQUIVALENTS The Company considers all highly liquid investments purchased with remaining maturities of three months or less at the date of purchase to be cash equivalents. As of December 31, 1996 and 1997, cash equivalents consisted of treasury bills and money market funds.

(c) PROPERTY AND EQUIPMENT Property and equipment are stated at cost and are depreciated using the double-declining balance method over the estimated useful lives of the assets, generally three to seven years. Recoverability of property and equipment is measured by comparing its carrying amount to the future net cash flows expected to be generated. If such assets are considered to be

impaired, the impairment recognized is measured as the difference between the carrying amount of the property and equipment and its fair value. To date, the Company has made no adjustments to the carrying values of its long-lived assets.

(d) FAIR VALUE OF FINANCIAL INSTRUMENTS The fair value of the Company's cash and cash equivalents, accounts receivable, and accounts payable approximate their respective carrying amounts.

(e) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) REVENUE RECOGNITION Revenue from the resale of software licenses and maintenance is recognized upon receipt and acceptance of a signed contract and delivery of the software, provided the fee is fixed and determinable, collectibility of the revenue is probable and the arrangement does not involve significant customization of the software. If an acceptance period is required, revenues are recognized upon the earlier of customer acceptance or the expiration of the acceptance period, as defined in the applicable software license agreement. Maintenance is provided by the licensor and the Company does not incur any costs, other than the royalty paid to the licensor, associated with the performance of maintenance contracts.

Optima Software, Inc.

Notes to Financial Statements (Continued)

Years Ended December 31, 1995, 1996, and 1997 and Six Months Ended June 30, 1997 and 1998

(INFORMATION AS OF JUNE 30, 1998 AND FOR THE SIX MONTH PERIODS ENDED JUNE 30, 1997 AND 1998 IS UNAUDITED) (1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) Professional services revenue includes fees derived from the delivery of training, installation, and consulting services. Revenue from training, installation, and consulting services is recognized as the related services are performed. Deferred revenue represents payments received by the Company in advance of product delivery or service performance.

(g) INCOME TAXES

The Company has elected to be taxed for Federal and state income tax purposes as a Subchapter S corporation under the Internal Revenue Code of 1986, as amended, and under certain comparable state tax laws. As a result, earnings are taxed directly to the Company's shareholders at applicable Federal and state income tax rates. Unaudited pro forma information has been included in the statements of income and retained earnings and the notes to financial statements setting forth income taxes and net income as if the Company had been fully subject to tax during the periods presented.

(h) CONCENTRATIONS OF CREDIT RISK Financial instruments, potentially subjecting the Company to concentrations of credit risk, consist primarily of temporary cash investments and accounts receivable. The Company places its temporary cash investments with two major financial institutions. The Company maintains an allowance as needed for potential credit losses on customer accounts. Credit losses have not been significant during all periods presented.

(2) Property and Equipment

Property and equipment consists of the following:

December 31, 1996 1997

Computers and equipment	$ 120,029	$ 167,403
Furniture and fixtures	43,078	97,688
Automobiles	21,863	21,863
	184,970	286,954
Less accumulated depreciation	141,741	164,275
	$ 43,229	$ 122,679

Optima Software, Inc.

Notes to Financial Statements (Continued)

Years Ended December 31, 1995, 1996, and 1997 and Six Months Ended June 30, 1997 and 1998

(INFORMATION AS OF JUNE 30, 1998 AND FOR THE SIX MONTH PERIODS ENDED JUNE 30, 1997 AND 1998 IS UNAUDITED)

(3) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consists of the following:

December 31, 1996 1997

Commissions	$ 203,437	$ 592,101
Royalties	1,522,429	2,333,249
Other	309,987	421,785
	$ 2,035,853	$ 3,347,135

(4) Income Taxes

The Company has elected to be taxed as a Subchapter S corporation for Federal and certain state income tax purposes, whereby income is taxed to the individual shareholders. California imposes a 1.5% minimum franchise tax on Subchapter S corporations. Accordingly, only state income tax has been provided for in the accompanying financial statements. The following table sets forth income taxes on a pro forma basis as if the Company had been a C corporation during the periods presented.

YEAR ENDED DECEMBER 31, 1995 1996 1997 (UNAUDITED)

Pro forma income taxes:			
Current			
Federal	$ 288,055	$ 724,939	$ 1,283,473
State	71,054	177,201	305,413
Total current	359,109	902,140	1,588,886
Deferred			
Federal	$ (33,493)	$ (48,406)	$ (137,936)
State	(4,424)	(4,315)	(25,977)
Total deferred	(37,917)	(52,721)	(163,913)
Total pro forma income taxes	$ 321,192	$ 849,419	$ 1,424,973

Optima Software, Inc.

Notes to Financial Statements (Continued)

Years Ended December 31, 1995, 1996, and 1997 and Six Months Ended June 30, 1997 and 1998

(INFORMATION AS OF JUNE 30, 1998 AND FOR THE SIX MONTH PERIODS ENDED JUNE 30, 1997 AND 1998 IS UNAUDITED) (4) INCOME TAXES (CONTINUED) The following tabulation reconciles the expected pro forma federal income tax expense (computed by multiplying the Company's income before taxes by 34%) to the Company's unaudited pro forma income tax expense for the periods presented:

YEAR ENDED DECEMBER 31, 1995 1996 1997 (UNAUDITED)

Expected pro forma income tax expense	$ 262,523	$ 671,188	$ 1,137,623
State income taxes, net of federal tax effect	66,066	168,868	277,433
Other	(7,397)	9,363	9,917
	$ 321,192	$ 849,419	$ 1,424,973

The tax effects of temporary differences that give rise to significant portions of the unaudited pro forma deferred tax assets and deferred tax liabilities as of December 31, 1995, 1996 and 1997 are presented below:

YEAR ENDED DECEMBER 31, 1995 1996 1997 (UNAUDITED)

Pro forma deferred tax assets:			
Property and equipment, principally due to differences in depreciation	$ 1,053	$ 1,096	$ 998
Reserves and accruals	16,278	37,752	172,353
State income taxes	20,586	51,790	81,200
Total deferred tax assets	$ 37,917	$ 90,638	$ 254,551

(5) Employee Benefit Plans

Retirement Plan

The Company has a defined contribution retirement plan for all eligible employees. Participants may make contributions to the plan in accordance with provisions of the plan. The Company may make discretionary contributions to the plan. For the years ended December 31, 1995, 1996, and 1997, the Company made contributions of $100,141, $116,023, and $183,493, respectively. Such contributions generally vest over six years.

Optima Software, Inc.

Notes to Financial Statements (Continued)

Years Ended December 31, 1995, 1996, and 1997 and Six Months Ended June 30, 1997 and 1998

(INFORMATION AS OF JUNE 30, 1998 AND FOR THE SIX MONTH PERIODS ENDED JUNE 30, 1997 AND 1998 IS UNAUDITED)

(6) Commitments

(a) LEASES

The Company has a noncancelable operating lease agreement for office space that expires in 2002. Minimum lease payments for the five succeeding years are as follows:

Year Ending December 31,

1998	$ 143,664
1999	143,664
2000	150,672
2001	150,672
2002	113,004
	$ 701,676

Rent expense was $78,727, $89,833, $91,646 and for the years ended December 31, 1995, 1996, and 1997, respectively.

(b) LICENSING AND OTHER AGREEMENTS The Company has a Marketing Agreement with SERENA. The principal stockholder of SERENA owns 15% of the capital stock of the Company. Pursuant to the Marketing Agreement, the Company was granted the exclusive right to market and sell SERENA's CHANGE MAN software product. SERENA is entitled to royalties of 40% and 75% upon initial sales of software licenses and maintenance and renewal maintenance, respectively. For the years ended December 31, 1995, 1996, and 1997, royalties under this license agreement were $3,809,276, $5,856,783, and $9,088,801, respectively.

(7) Subsequent Event

On September 25, 1998, SERENA acquired all of the outstanding shares of the Company in exchange for 3,187,500 shares of SERENA's common stock.

Pro Forma Condensed Combined Financial Statements

The unaudited pro forma condensed combined financial statements presented below are derived from the historical consolidated financial statements of SERENA Software, Inc. ("SERENA") and Optima Software, Inc. ("Optima"). The unaudited pro forma condensed combined balance sheet as of July 31, 1998, gives effect to the acquisition by SERENA of all the issued and outstanding shares of capital stock of Optima as if the acquisition had occurred on such date. The unaudited pro forma condensed combined statements of income for the fiscal year ended January 31, 1998, and for the six months ended July 31, 1998, give effect to the acquisition of Optima as if it had occurred on February 1, 1997. For purposes of the unaudited pro forma condensed combined statements of income for the fiscal year ended January 31, 1998, SERENA's results of operations for such period have been combined with Optima's results of operations for the year ended December 31, 1997. The unaudited pro forma condensed combined statements of income for the six months ended July 31, 1998, combine both SERENA's and Optima's results of operations for such period.

The unaudited pro forma condensed combined financial statements give effect to the acquisition under the purchase method of accounting. The fair value of the consideration paid has been allocated to the assets and liabilities acquired based upon the fair values of such assets at the date of acquisition and may be revised for a period of up to one year from the date of acquisition. The preliminary estimates and assumptions as to the value of the assets and liabilities of Optima to the combined company is

based upon information available at the date of preparation of these unaudited pro forma condensed combined financial statements, and will be adjusted upon final allocation of purchase price within one year from the acquisition date. The items awaiting final allocation include noncurrent asset valuations and certain valuation allowances and accruals. It is anticipated, however, that the final allocation of the purchase price will not differ materially from the preliminary allocation.

The unaudited pro forma condensed combined financial statements do not purport to represent what SERENA's results of operations or financial condition would have actually been or what operations would be if the transactions that give rise to the pro forma adjustments had occurred on the dates assumed and are not indicative of future results. The unaudited pro forma condensed combined financial statements below should be read in conjunction with the historical consolidated financial statements and related notes thereto of SERENA and Optima included elsewhere herein.

Serena Software, Inc.

Unaudited Pro Forma Condensed Combined Balance Sheet

July 31, 1998 (In Thousands)

	HISTORICAL		PRO FORMA	PRO FORMA
	SERENA	OPTIMA	ADJUSTMENTS	COMBINED
Assets				
Current assets:				
Cash and cash equivalents	$ 15,665	$ 3,368	$ (3,400)(1)	$ 15,633
Accounts receivable, net of allowances	6,202	2,957	(1,587)(2)	7,572
Due from principal stockholder	182	--		182
Prepaid expenses and other current assets	937	90		1,027
Total current assets	22,986	6,415	(4,987)	24,414
Property and equipment, net	1,307	139		1,446
Due from principal stockholder	530	--		530
Other assets	272	167	16,043(3)	16,482
Total assets	$ 25,095	$ 6,721	$ 11,056	$ 42,872
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$ 527	$ 28		$ 555
Note payable to stockholders	--	--	$ 1,350(1)	1,350
Income tax payable	--	39		39
Accrued expenses	4,005	2,009	(1,587)(2)	4,427
Deferred revenue	7,565	--		7,565
Total current liabilities	12,097	2,076	(237)	13,936
Deferred revenue, net of current portion	1,982	--		1,982
Total liabilities	14,079	2,076	(237)	15,918
Commitments				

Stockholders' equity:				
Common stock	17	130	(126)(3)	21
Additional paid-in capital	5,601	--	15,934(3)	21,535
Notes receivable from stockholders	(1,922)	--		(1,922)
Deferred stock-based compensation	(1,958)	--		(1,958)
Accumulated other comprehensive losses	(28)	--		(28)
Retained earnings	9,306	4,515	(4,750)(1) 235(3)	9,306
Total stockholders' equity	11,016	4,645	11,293	26,954
Total liabilities and stockholders' equity	$ 25,095	$ 6,721	$ 11,056	$ 42,872

See accompanying notes to pro forma condensed combined financial statements.

Serena Software, Inc.

Unaudited Pro Forma Condensed Combined Statement of Income

Fiscal Year Ended January 31, 1998 (In Thousands, Except Per Share Data)

	HISTORICAL		PRO FORMA	PRO FORMA
	SERENA	OPTIMA	ADJUSTMENTS	COMBINED
Revenue:				
Software licenses	$17,839	$16,946	$ (4,690)(4) (204)(5) (6,929)(6)	$22,962
Maintenance	12,258	--	433(6)	12,691
Professional services	2,050	3,612		5,662
Total revenue	32,147	20,558	(11,390)	41,315
Operating expenses:				
Cost of revenue	6,813	11,420	(9,044)(4) (204)(5)	8,985
Sales and marketing	7,947	3,651		11,598
Research and development	5,518	--		5,518
General and administrative	3,296	2,281		5,577
Stock-based compensation	880	--		880
Amortization of intangible assets	--	--	1,546(7)	1,546
Total operating expenses	24,454	17,352	(7,702)	34,104
Operating income	7,693	3,206	(3,688)	7,211
Other income, net	321	140	(118)(8)	343
Income before income taxes	8,014	3,346	(3,806)	7,554
Income taxes	3,253	186	211(9)	3,650
Net income	$4,761	$3,160	$ (4,017)	$ 3,904
Net income per share:				
Basic	$ 0.31			$ 0.21
Diluted	$ 0.31			$ 0.21
Shares used to compute net income per share:				
Basic	15,248			18,436
Diluted	15,272			18,460

See accompanying notes to pro forma condensed combined financial statements.

Serena Software, Inc.

Unaudited Pro Forma Condensed Combined Statement of Income

Six Months Ended July 31, 1998 (In Thousands, Except Per Share Data)

	HISTORICAL		PRO FORMA	PRO FORMA
	SERENA	OPTIMA	ADJUSTMENTS	COMBINED
Revenue:				
Software licenses	$ 9,988	$ 8,321	$ (1,472)(4) (276)(5) (4,839)(6)	$ 11,722
Maintenance	7,735	--	695(6)	8,430
Professional services	1,193	1,939		3,132
Total revenue	18,916	10,260	(5,892)	23,284
Operating expenses:				
Cost of revenue	3,816	6,623	(4,980)(4) (276)(5)	5,183
Sales and marketing	5,707	1,335		7,042
Research and development	2,073	--		2,073
General and administrative	1,692	388		2,080
Stock-based compensation	1,558	--		1,558
Amortization of intangible assets	--	--	523(7)	523
Total operating expenses	14,846	8,346	(4,733)	18,459
Operating income	4,070	1,914	(1,159)	4,825
Other income, net	343	91	(91)(8)	343
Income before income taxes	4,413	2,005	(1,250)	5,168
Income taxes	1,942	100	379(9)	2,421
Net income	$ 2,471	$ 1,905	$ (1,629)	$ 2,747
Net income per share:				
Basic	$ 0.16			$ 0.15
Diluted	$ 0.15			$ 0.14
Shares used to compute net income per share:				
Basic	15,639			18,827
Diluted	16,361			19,549

See accompanying notes to pro forma condensed combined financial statements.

Serena Software, Inc.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Pro Forma Condensed Combined Balance Sheet:

(1) To record distributions to Optima's shareholders declared prior to the acquisition date.

(2) To eliminate intercompany balances related to royalties.

(3) To record SERENA's acquisition of Optima whereby SERENA issued 3,187,500 shares of its own common stock valued at $5.00 per share in exchange for all the outstanding capital stock of Optima.

The allocation of the purchase price for pro forma purposes was as follows:

```
Allocation of purchase price:
  Net tangible liabilities.....................................  $    (105)
  Work-force-in-place(a).......................................        300
  Noncompete agreement(b)......................................        200
  Goodwill(c)..................................................     15,543
    Total purchase price.......................................  $  15,938
```

(a) Work-force-in-place, consisting principally of Optima's sales force, was valued on a replacement cost basis and will be amortized over a six-month period, the period of time SERENA estimates would be required to hire, train, and achieve full productivity for a replacement work force.

(b) The noncompete agreement was entered into with an Optima officer and founder who will not continue with the combined company. The noncompete agreement was valued based on his anticipated salary and benefits for the period of the agreement and will be amortized over the one-year term of the agreement.

(c) Goodwill represents the excess of the purchase price over the fair value of the net assets acquired and will be amortized over 15 years.

Pro Forma Condensed Combined Statements of Income:

(4) To eliminate intercompany software licence royalty revenue recorded by SERENA and intercompany royalty expense recorded by Optima.

(5) To eliminate Optima's software license revenues against SERENA's royalty expense with respect to certain sales transactions initiated by a foreign subsidiary of SERENA's and to which Optima was entitled royalties.

(6) To conform Optima's revenue recognition policy for maintenance to SERENA's.

(7) To record the amortization of intangible assets resulting from the allocation of the purchase price.

(8) To record a reduction in interest income for the distribution to Optima shareholders paid prior to the acquisition date.

(9) To record income taxes for Optima as if it were a C corporation during the periods presented and for the tax effect of the various pro forma adjustments set forth above. This adjustment is based on a combined effective Federal and state statutory rate of 48.3% and 46.8% during the fiscal year ended January 31, 1998 and six months ended July 31, 1998, respectively.

6,000,000 Shares

[Logo]

Common Stock

Prospectus

Hambrecht & Quist

Sg Cowen

Soundview Technology Group

, 1998

YOU SHOULD RELY ONLY ON INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. WE ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, SHARES OF COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF OUR COMMON STOCK.

NO ACTION IS BEING TAKEN IN ANY JURISDICTION OUTSIDE THE UNITED STATES TO PERMIT A PUBLIC OFFERING OF THE COMMON STOCK OR POSSESSION OR DISTRIBUTION OF THIS PROSPECTUS IN ANY SUCH JURISDICTION. PERSONS WHO COME INTO POSSESSION OF THIS PROSPECTUS IN JURISDICTIONS OUTSIDE THE UNITED STATES ARE

REQUIRED TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY RESTRICTIONS AS TO THIS OFFERING AND THE DISTRIBUTION OF THIS PROSPECTUS APPLICABLE TO THAT JURISDICTION.

UNTIL , 1998, ALL DEALERS THAT BUY, SELL OR TRADE IN OUR COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

Part Ii Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Company in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee.

SEC registration fee	$ 21,100
NASD filing fee	8,090
Nasdaq National Market listing fee	95,000
Printing and engraving costs	175,000
Legal fees and expenses	250,000
Accounting fees and expenses	250,000
Blue Sky fees and expenses	5,000
Transfer Agent and Registrar fees	10,000
Miscellaneous expenses	30,000
Total	$ 844,190

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law permits a corporation to include in its charter documents, and in agreements between the corporation and its directors and officers, provisions expanding the scope of indemnification beyond that specifically provided by the current law.

Article X of the Registrant's Restated Certificate of Incorporation provides for the indemnification of directors to the fullest extent permissible under Delaware law.

Article VI of the Registrant's Bylaws provides for the indemnification of officers, directors and third parties acting on behalf of the Registrant if such person acted in good faith and in a manner reasonably believed to be in and not opposed to the best interest of the Registrant, and, with respect to any criminal action or proceeding, the indemnified party had no reason to believe his or her conduct was unlawful.

The Registrant has entered into indemnification agreements with its directors and executive officers, in addition to indemnification provided for in the Registrant's Bylaws, and intends to enter into indemnification agreements with any new directors and executive officers in the future.

Item 15. Recent Sales of Unregistered Securities

During the past three years, the Registrant has issued unregistered securities to a limited number of persons, as described below. None of these transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and the Registrant believes that each transaction was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof, Regulation D promulgated thereunder or Rule 701 pursuant to compensatory benefit plans and contracts relating to compensation as provided under such Rule 701. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access, through their relationships with the Registrant, to information about the Registrant.

. Pursuant to the Registrant's Amended and Restated 1997 Stock Option and Incentive Plan, from January 1998 to April 1998, the Registrant issued and sold an aggregate of 1,896,750 shares of common stock to certain of its officers and directors.

2. Pursuant to an Agreement and Plan of Reorganization, dated September 25, 1998, whereby the Registrant acquired Optima Software, Inc., the Registrant issued an aggregate of 3,187,500 shares of common stock to the selling stockholders of Optima Software, Inc.

Item 16. Exhibits and Financial Statement Schedules

(a) EXHIBITS

1.1	Form of Underwriting Agreement
3.1A	Amended Articles of Incorporation of the Registrant, as currently in effect
3.1B	Form of Restated Certificate of Incorporation of the Registrant to be filed after the closing of the offering made under this Registration Statement
3.2A	Bylaws of the Registrant, as amended through the date hereof
3.2B	Form of Bylaws of the Registrant to be in effect after the closing of the offering made under this Registration Statement
4.1	Specimen Common Stock Certificate
4.2	Registration Rights Agreement, dated September 25, 1998, by and among the Registrant and certain shareholders of Optima Software Inc. (related to the Registrant's acquisition of Optima Software, Inc.)
5.1*	Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation
10.1	Form of Indemnification Agreement between the Registrant and each of its directors and officers
10.2A	Amended and Restated 1997 Stock Option Plan
10.2B	Form of Option Agreement under the Amended and Restated 1997 Stock Option Plan
10.2C	Form of Restricted Stock Purchase Agreement under the Amended and Restated 1997 Stock Option Plan
10.3A	1999 Employee Stock Purchase Plan
10.3B	Form of Subscription Agreement under the 1999 Employee Stock Purchase Plan
10.4A	1999 Director Plan

10.4B	Form of Option Agreement under 1999 Director Plan
10.5	Employment Agreement, dated April 18, 1997 between the Registrant and Richard A. Doerr
10.6	Employment Agreement, dated June 24, 1980, between the Registrant and Douglas D. Troxel
10.7	Employment and Software Distribution Agreement, dated October 28, 1993, between the Registrant and A. Bruce Leland (relating to license of proprietary technology)
10.8	Employment Agreement, dated May 18, 1993, between the Registrant and Steven Smith (relating to license of proprietary technology)
10.9	Software Agreement, dated July 1, 1991, by and between the Registrant and High Power Software, Inc. (relating to joint ownership of technology)
10.10A	Lease Agreement, dated August 15, 1994, between the Registrant and Water Front Towers Partners, L.P. (for Burlingame headquarters)
10.10B	Addendum to Lease Agreement (for Burlingame headquarters facility), dated November 21, 1994

10.10C Second Addendum to Lease Agreement (for Burlingame headquarters) dated November 15, 1994

10.10D	Amendment No. 1 to Lease Agreement (for Burlingame headquarters facility) dated May 21, 1996
10.10E	Amendment No. 2 to Lease Agreement (for Burlingame headquarters facility) dated August 24, 1996
10.10F	Amendment No. 3 to Lease Agreement (for Burlingame headquarters facility) dated June 3, 1997
10.10G	Amendment No. 4 to Lease Agreement (for Burlingame headquarters facility) dated June 9, 1998
10.11	Lease Agreement between the Registrant and Waterfront Tower Partners, L.P. dated May 18, 1998 (for additional space at Burlingame headquarters facility)
10.12	Form of Restricted Stock Purchase Agreement entered into between the Registrant and certain of its executive officers
10.13	Secured Promissory Note and Security Agreement between Registrant and Douglas D. Troxel dated July 22, 1998
16.1	Letter regarding change in certifying accountants
21.1	List of Subsidiaries
23.1	Consent of KPMG Peat Marwick LLP, Independent Auditors (see Page S-1)
23.3*	Consent of Counsel (included in Exhibit 5.1)
24.1	Power of Attorney (see Page II-5)

* To be filed by amendment (b) FINANCIAL STATEMENT SCHEDULES Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions referenced in Item 14 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred

or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Burlingame, State of California, on the 23rd day of November, 1998.

Serena Software, Inc.

By: /s/ RICHARD A. DOERR Richard A. Doerr, President and Chief Executive Officer

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard A. Doerr and Robert I. Pender, Jr. and each of them, his attorneys-in-fact, each with the power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to sign any registration statement for the same offering covered by this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, as amended, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and

about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature Title Date

/s/ RICHARD A. DOERR (Richard A. Doerr)	President, Chief Executive Officer and Director (Principal Executive Officer)	November 23, 1998
/s/ ROBERT I. PENDER, JR. (Robert I. Pender, Jr.)	Vice President, Finance and Administration, Chief Financial Officer (Principal Financial and Accounting Officer) and Secretary	November 23, 1998
/s/ DOUGLAS D. TROXEL (Douglas D. Troxel)	Chairman of the Board of Directors and Chief Technology Officer	November 23, 1998

/s/ ALAN H. HUNT - - - - ---------- Director November 23, 1998 (Alan H. Hunt)

Consent of Independent Auditors and Form of Report on Financial Statement Schedule

We consent to the use of our forms of report and report included herein and to the reference to our firm under the headings "Experts" and "Selected Consolidated Financial Data" in the prospectus. When the reincorporation referred to in Note 4(b) of the Notes to SERENA Software, Inc.'s consolidated Financial Statements is consummated, we will be in a position to render the following report on financial statement schedule.

Kpmg Peat Marwick Llp

The audits referred to in our report dated September 4, 1998, except as to Note 4(b), which is as of November 19, 1998, included in the related financial statement schedule as of January 31, 1998, and for each of the years in the three-year period ended January 31, 1998, included in the registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basis consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Mountain View, California November 20, 1998

Schedule Ii

Serena Software, Inc.

Valuation and Qualifying Accounts

DESCRIPTION	BALANCE AT BEGINNING OF FISCAL YEAR	ADDITIONS--CHARGED TO COSTS AND EXPENSES	DEDUCTIONS--WRITEOFFS	BALANCE AT END OF FISCAL YEAR
Year Ended January 31, 1996:				
Allowance for doubtful accounts.....	$ 29,800	$ --	$ --	$ 29,800
Year Ended January 31, 1997:				
Allowance for doubtful accounts.....	$ 29,800	$ --	$ --	$ 29,800
Year Ended January 31, 1998:				
Allowance for doubtful accounts.....	$ 29,800	$ 200,717	$ (33,035)	$ 197,482

Exhibit Index

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