

SERENA SOFTWARE INC
Form DEF 14A
May 24, 2005

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

SERENA SOFTWARE, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 24, 2005

2:00 p.m.

To the Stockholders of SERENA Software, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of SERENA Software, Inc., a Delaware corporation (SERENA), will be held on Friday, June 24, 2005, at 2:00 p.m., local time, at SERENA s principal executive offices at 2755 Campus Drive, 3rd Floor, San Mateo, California 94403 for the following purposes:

1. To elect directors to serve until the next Annual Meeting of Stockholders or until their successors are elected;
2. To ratify the appointment of KPMG LLP as independent auditors for SERENA for the fiscal year ending January 31, 2006; and
3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only stockholders of record at the close of business on May 20, 2005, are entitled to notice of and to vote at the meeting.

All stockholders are cordially invited to attend the meeting in person. To assure your representation at the meeting, however, you are urged to mark, sign, date, and return the enclosed Proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose. **YOU MAY REVOKE YOUR PROXY IN THE MANNER DESCRIBED IN THE ACCOMPANYING PROXY STATEMENT AT ANY TIME BEFORE IT HAS BEEN VOTED AT THE ANNUAL MEETING. ANY STOCKHOLDER ATTENDING THE ANNUAL MEETING MAY VOTE IN PERSON EVEN IF HE OR SHE HAS RETURNED A PROXY.**

By order of the Board of Directors

SERENA SOFTWARE, INC.

/s/ Vita Strimaitis

Vita A. Strimaitis

Secretary

San Mateo, California

May 24, 2005

YOUR VOTE IS IMPORTANT.

**IN ORDER TO ASSURE YOUR REPRESENTATION AT THE MEETING, YOU ARE
REQUESTED TO COMPLETE, SIGN, AND DATE THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE AND RETURN IT
IN THE ENCLOSED ENVELOPE.**

SERENA SOFTWARE, INC.

**PROXY STATEMENT FOR THE
2005 ANNUAL MEETING OF STOCKHOLDERS**

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the board of directors of SERENA Software, Inc., a Delaware corporation ("SERENA"), for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on Friday, June 24, 2005, at 2:00 p.m., local time, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at SERENA 's principal executive offices at 2755 Campus Drive, 3rd Floor, San Mateo, California 94403. The telephone number at that location is (650) 522-6600. When proxies are properly dated, executed, and returned, the shares they represent will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted for the election of the nominees for directors set forth herein, for the ratification of the appointment of KPMG LLP as independent auditors as set forth herein, and at the discretion of the proxy holders, upon such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

These proxy solicitation materials and the Annual Report to Stockholders for the fiscal year ended January 31, 2005, including financial statements, were first mailed on or about May 27, 2005, to all stockholders entitled to vote at the Annual Meeting.

Record Date and Shares Outstanding

Stockholders of record at the close of business on May 20, 2005 (the "Record Date") are entitled to notice of, and to vote at, the Annual Meeting. At the Record Date, SERENA had issued and outstanding and entitled to vote 41,185,722 shares of common stock, \$.001 par value.

Revocability of Proxies

Any proxy given pursuant to the solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing with the Secretary of SERENA at or before the taking of the vote at the Annual Meeting a written notice of revocation bearing a later date than the proxy, (ii) duly executing a later dated proxy relating to the same shares and delivering it to the Secretary of SERENA at or before the taking of the vote at the Annual Meeting, or (iii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy). Any written notice of revocation or subsequent proxy should be delivered to

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SERENA Software, Inc. at 2755 Campus Drive, 3rd Floor, San Mateo, California 94403, Attention: Secretary, or hand-delivered to the Secretary of SERENA at or before the taking of the vote at the Annual Meeting.

Voting

Each share of common stock outstanding on the Record Date is entitled to one vote. Stockholders' votes will be tabulated by persons appointed by the board of directors to act as inspectors of election for the Annual Meeting. The holders of a majority of our outstanding shares of common stock, present in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. If a quorum is not present, the Annual Meeting may be adjourned from time to time until a quorum is obtained. Abstentions and broker non-votes are considered stockholders who are present and entitled to vote and they count toward the quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular

proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner (despite voting on at least one other proposal for which the nominee does have discretionary authority or for which it has received instructions). Brokers holding shares of record for customers generally are not entitled to vote on certain non-routine matters unless they receive voting instructions from their customers.

Solicitation of Proxies

The expense of soliciting proxies in the enclosed form will be borne by SERENA. In addition, SERENA may reimburse banks, brokerage firms, and other custodians, nominees, and fiduciaries representing beneficial owners of shares for their expenses in forwarding soliciting materials to such beneficial owners. Proxies may also be solicited by certain of SERENA's directors, officers, and employees, personally or by telephone, telegram, facsimile, or other means of communication. No additional compensation will be paid for such services.

Deadline for Receipt of Stockholder Proposals for Year 2006 Annual Meeting

Stockholders may present proposals for action at a future meeting only if they comply with the requirements of the proxy rules established by the Securities and Exchange Commission and our bylaws. Stockholder proposals that are intended to be included in our Proxy Statement and form of Proxy relating to the meeting for our 2006 Annual Meeting of Stockholders under rules set forth in the Securities Exchange Act of 1934 must be received by us no later than February 3, 2006 to be considered for inclusion. If a stockholder intends to submit a proposal or nomination for director for our 2006 Annual Meeting of Stockholders that is not to be included in our Proxy Statement and form of Proxy relating to that meeting, the stockholder must give us notice in accordance with the requirements set forth in our bylaws no later than March 24, 2006. Our bylaws require that certain information and acknowledgments with respect to the proposal and the stockholder making the proposal be set forth in the notice. A copy of the relevant bylaw provision is available upon written request to:

SERENA Software, Inc.

2755 Campus Drive, 3rd floor

San Mateo, CA 94403-2538

Attention: Corporate Secretary

SUMMARY OF PROPOSALS

The board of directors has included two proposals on the agenda for our annual meeting. The following is a brief summary of the matters to be considered and voted upon by our stockholders.

1. Election of Directors

Our board of directors currently consists of seven directors. The first proposal on the agenda for our annual meeting is the election of seven directors to serve until our 2006 annual meeting. Additional information about the election of directors and a brief biography of each nominee begins on page 4.

OUR BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

2. Ratify Appointment of Our Independent Auditors

The second proposal is the ratification of the appointment of KPMG LLP as our independent auditors. More information about this proposal begins on page 10.

**OUR BOARD RECOMMENDS A VOTE TO RATIFY THE APPOINTMENT OF
KPMG LLP AS OUR INDEPENDENT AUDITORS.**

Other Matters

Other than the proposals listed above, our board of directors does not intend to present any other matters to be voted on at the meeting. Our board is not currently aware of any other matters that will be presented by others for action at the meeting. However, if other matters are properly presented at the meeting and you have signed and returned your proxy card, the proxies will have discretion to vote your shares on these matters to the extent authorized under the Exchange Act.

PROPOSAL ONE
ELECTION OF DIRECTORS**Nominees**

We currently have seven (7) directors. At the Annual Meeting, a board of seven (7) directors will be elected, each to hold office until his or her successor is elected and qualified, or until his or her death, resignation, or removal. Each of the nominees is currently a director of SERENA. Shares represented by the accompanying proxy will be voted for the election of the seven nominees (recommended by the board of directors) who are named in the following table, unless the proxy is marked in such a manner as to withhold authority to so vote. SERENA has no reason to believe that the nominees for election will not be available to serve their prescribed terms. If any nominee for any reason is unable to serve or will not serve, however, the proxy may be voted for such substitute nominee as the persons appointed in the proxy may in their discretion determine.

The following table sets forth certain information concerning the nominees, which information is based on data furnished to SERENA by the nominees:

<u>Name</u>	<u>Age</u>	<u>Position(s) with SERENA</u>	<u>Director Since</u>
Douglas D. Troxel	60	Chief Technology Officer, Chairman of the Board and Director	1980
Mark E. Woodward	47	President, Chief Executive Officer and Director	2000
Robert I. Pender, Jr.	47	Senior Vice President, Finance and Administration, Chief Financial Officer and Director	2000
J. Hallam Dawson (1)(2)(3)	68	Director	2001
Gregory J. Owens (1)(2)	44	Director	2002
David G. DeWalt (2)(3)	41	Director	2003
Carl Bass (1)	47	Director	2004

- (1) Member of Compensation Committee.
(2) Member of Audit Committee.
(3) Member of Nominating and Governance Committee.

There is no family relationship among any of the directors and executives of SERENA.

Douglas D. Troxel is the founder of SERENA and has served on SERENA's Board of Directors since April 1980. He has also served as SERENA's Chief Technology Officer since April 1997. From June 1980 to April 1997, Mr. Troxel served as the President and Chief Executive Officer of SERENA. Mr. Troxel holds a B.S. in mathematics from Iowa State University.

Mark E. Woodward has served as a member of SERENA's board of directors since June 2000, as President, Chief Executive Officer since May 2000, as Vice President, Worldwide Operations from February 2000 through April 2000 and as Vice President, Sales from November 1998 to February 2000. From August 1997 until November 1998, Mr. Woodward was Senior Vice President, Sales for Live Picture, Inc., a developer of Internet imaging technology. From August 1995 until August 1997, Mr. Woodward was Vice President, Sales for McAfee Associates, a network

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management firm. From March 1989 until August 1995, Mr. Woodward was Vice President, Sales for Legent, Inc., a developer of software change management products.

Robert I. Pender, Jr. has served as a member of SERENA's board of directors since June 2000 and as Senior Vice President, Finance and Administration, Chief Financial Officer since December 1997. From December 1996 until August 1997, Mr. Pender was Vice President, Finance of Mosaix, Inc., a customer interaction software company. From April 1993 until December 1996, Mr. Pender served in a variety of

positions, most recently as Chief Financial Officer, with ViewStar Corporation, a client/server workflow software company that was acquired by Mosaix, Inc. in December 1996. Mr. Pender holds a B.A. in accounting from Baylor University and a M.S. in financial planning and tax from Golden Gate University.

J. Hallam Dawson has served as a member of SERENA's Board of Directors since December 2001. Mr. Dawson is and has served as Chairman of IDI Associates, a private Latin American investment bank, since September 1986. Previously, Mr. Dawson served as Executive Vice President and then President of Crocker National Bank and in various commercial lending and international banking positions at the First National Bank of Chicago. Mr. Dawson is also a Director of Autodesk, Inc., a design software and digital content company, and Chinatrust Bank (USA). Mr. Dawson holds a B.A. in economics from Vanderbilt University and an M.B.A. from Harvard University.

Gregory J. Owens has served as a member of SERENA's Board of Directors since March 2002. Mr. Owens served as Chairman of the Board of Manugistics Group, Inc., a global provider of solutions for supply chain management from 1999 to 2005. From 1999 to 2004, Mr. Owens also served as President and Chief Executive Officer of Manugistics Group, Inc. From 1993 to 1999, Mr. Owens served as Managing Partner for Logistics and Planning, as well as Managing Partner of Global Supply Chain Management, at Andersen Consulting (Accenture). Mr. Owens holds a B.S. in industrial management from the Georgia Institute of Technology.

David G. DeWalt has served as a member of SERENA's Board of Directors since April 2003. Mr. DeWalt currently serves as President of the Documentum Software Division and Executive Vice President of EMC Corporation, the world leader in products, services and solutions for information storage and management. Mr. DeWalt served as President and CEO of Documentum, the global leader in enterprise content management, before EMC acquired the company in 2003. Prior to joining Documentum, Mr. DeWalt was Founding Principal and Vice President of Eventus Software, a web content software company. Following the 1998 acquisition of Eventus by Segue Software, an e-business software company, Mr. DeWalt served as Segue's Vice President of North American Sales. Before Eventus, Mr. DeWalt was Vice President of Sales and Marketing at Quest Software, a provider of performance management solutions. Prior to that, Mr. DeWalt held various positions in sales management with Oracle Corporation. Mr. DeWalt holds a B.S. in computer science and electrical engineering from the University of Delaware.

Carl Bass has served as a member of SERENA's Board of Directors since January 2004. Mr. Bass currently serves as Chief Operating Officer of Autodesk, Inc., the world's leading design software and digital content company. Previously, Mr. Bass served as Autodesk's Senior Executive Vice President of the Design Solutions Group, and Chief Strategy Officer and Executive Vice President of Emerging Business. Prior to Autodesk's acquisition of Buzzsaw, Mr. Bass was Buzzsaw's Chairman, Chief Executive Officer and President. Prior to joining Autodesk, Mr. Bass co-founded Ithaca Software, the developers of HOOPS, which was acquired by Autodesk in 1994. Mr. Bass holds a B.S. in mathematics from Cornell University.

Vote Required and Board of Directors Recommendation

Directors will be elected by a plurality of the votes of the shares present and entitled to vote at the Annual Meeting and entitled to vote on the election of directors. The seven nominees who receive the most votes will be elected. Abstentions and broker non-votes will not be taken into account in determining the outcome of the election of directors. **The board of directors has unanimously approved the foregoing slate of nominees and recommends that stockholders vote FOR the election of the nominees listed above.**

Board and Corporate Governance Committee Meetings

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SERENA's board of directors held seven (7) meetings during the fiscal year ended January 31, 2005. No director during fiscal 2005 attended fewer than seventy-five percent (75%) of the aggregate of (i) the total number of meetings of the board of directors held during the period for which such person was a director and (ii) the total number of meetings held by all committees of the board of directors on which such person served (during the period such person served) during fiscal 2005.

Our Board of Directors currently has three committees: an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Each committee has a written charter approved by the Board of Directors outlining the principal responsibilities of the committee. These charters are available on the Corporate Governance page of the Investor section of our website.

Audit Committee

SERENA Software, Inc.'s Audit Committee is comprised of directors J. Hallam Dawson, Gregory J. Owens and David G. DeWalt, each of whom has been determined to be independent within the meaning of the rules of the Securities and Exchange Commission and the listing standards of The Nasdaq Stock Market (the Nasdaq Rules) and was formed in January 1999 in connection with SERENA's initial public offering of its common stock. The Audit Committee met four (4) times in fiscal 2005.

The purposes of the Audit Committee are to review with SERENA's management and independent auditors such matters as internal accounting controls and procedures, the plan and results of the annual audit, and suggestions of the auditors for improvements in accounting procedures; to nominate independent auditors; and to provide such additional information as the committee may deem necessary to make the board of directors aware of significant financial matters which require the board's attention, as well as perform such other functions as may be required by the Nasdaq Rules or other applicable law. The board of directors has determined that Messrs. Dawson, Owens and DeWalt are audit committee financial experts within the meaning of the rules of the Securities and Exchange Commission and has determined that each has the accounting and related financial management expertise to satisfy the requirement that at least one member of the Audit Committee be financially sophisticated within the meaning of the Nasdaq Rules.

Compensation Committee

Our Compensation Committee is comprised of directors J. Hallam Dawson, Gregory J. Owens and Carl Bass and was formed in January 1999 in connection with SERENA's initial public offering of its common stock. The Compensation Committee met two (2) times in fiscal 2005. The purposes of the Compensation Committee are to review and approve the compensation to be paid or provided to SERENA's executive officers, the aggregate compensation of all employees of SERENA, the terms of compensation plans and to administer SERENA's Amended and Restated 1997 Stock Option and Incentive Plan.

Nominating and Governance Committee

Our Nominating and Governance Committee is comprised of directors J. Hallam Dawson and David G. DeWalt and was originally formed in May 2001, as a Nominating Committee, in connection with the Company's desire to find qualified and appropriate candidates to serve on SERENA's board of directors. The Nominating Committee became known as the Nominating and Governance Committee in November 2003, when the expanded charter for the Nominating and Governance Committee was adopted.

In addition to the Committee's former duties, the Nominating and Governance Committee must also ensure that our board of directors is properly constituted to meet its fiduciary obligations and follows appropriate governance standards. The Nominating and Governance Committee met one (1) time in fiscal 2005 as part of an Audit Committee meeting.

Director Independence

In 2005, consistent with the Nasdaq Rules regarding director independence, our Board of Directors undertook a review of the independence of our directors and considered whether any director had any relationship with SERENA Software, Inc. or management that would compromise his ability to exercise independent judgment in carrying out his responsibilities. As a result of this review, our Board of Directors

affirmatively determined that Directors Bass, Dawson, DeWalt, and Owens are independent within the meaning of the Nasdaq Rules.

Code of Conduct for Officers

Our Board of Directors has adopted a *Code of Business Conduct and Ethics* that is applicable to all of our employees, officers and directors. Our *Code of Business Conduct and Ethics* is intended to ensure that our employees, officers and directors act ethically and with a commitment to honesty and fairness. This code is intended to deter wrongdoing and promote ethical conduct among our executives and to ensure all of our public disclosure is full, fair and accurate. The *Code of Business Conduct and Ethics* is available on the Corporate Governance page of the Investor section of our website at <http://www.serena.com>.

Director Compensation

SERENA reimburses each member of our board of directors for out-of-pocket expenses incurred in connection with attending board meetings. Beginning in February 2004, each non-employee director who does not Chair a committee will receive an annual cash retainer of \$25,000 paid quarterly. Each non-employee director who is also a Chairperson of a standing committee will receive an annual cash retainer of \$30,000 paid quarterly.

SERENA's Amended and Restated 1999 Director Option Plan provides that options will be granted to non-employee directors pursuant to an automatic non-discretionary grant mechanism. Each new non-employee director is automatically granted an option to purchase 37,500 shares of common stock at the time he or she is first elected to the board of directors. Each eligible non-employee director will subsequently be granted an option to purchase 15,000 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 eligible non-employee directors under the Amended and Restated 1999 Director Option Plan prior to fiscal 2003 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 ratably in monthly installments thereafter. Beginning in fiscal 2003, options granted to eligible non-employee directors under the Amended and Restated 1999 Director Option Plan, excluding those grants issued at the time he or she is first elected to the board of directors, will become exercisable over one year, with all the shares subject to the option vesting after one year.

On December 7, 2001 in connection with Mr. Dawson's appointment to SERENA's board of directors, Mr. Dawson was granted 37,500 options under the Amended and Restated 1999 Director Option Plan. The grant was made at fair market value of \$25.87 per share with one quarter of the shares vesting upon the first anniversary of the respective grant and 1/36 of the remaining shares vesting monthly thereafter.

On March 25, 2002 in connection with Mr. Owens' appointment to SERENA's board of directors, Mr. Owens was granted 37,500 options under the Amended and Restated 1999 Director Option Plan. The grant was made at fair market value of \$19.35 per share with one quarter of the shares vesting upon the first anniversary of the respective grant and 1/36 of the remaining shares vesting monthly thereafter.

On April 14, 2003 in connection with Mr. DeWalt's appointment to SERENA's board of directors, Mr. DeWalt was granted 37,500 options under the Amended and Restated 1999 Director Option Plan. The grant was made at fair market value of \$14.69 per share with one quarter of the shares vesting upon the first anniversary of the respective grant and 1/36 of the remaining shares vesting monthly thereafter.

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On January 13, 2004 in connection with Mr. Bass's appointment to SERENA's board of directors, Mr. Bass was granted 37,500 options under the Amended and Restated 1999 Director Option Plan. The grant was made at fair market value of \$20.97 per share with one quarter of the shares vesting upon the first anniversary of the respective grant and 1/36 of the remaining shares vesting monthly thereafter.

On February 1, 2004, Mr. Dawson, Mr. Owens and Mr. DeWalt were each granted 15,000 options under the Amended and Restated 1999 Director Option Plan. These grants were made at fair market value of \$23.14 per share and vest in their entirety upon the first anniversary of the respective grant. On February 1, 2005, Mr. Dawson, Mr. Owens, Mr. DeWalt and Mr. Bass were each granted 15,000 options under the Amended and Restated 1999 Director Option Plan. These grants were made at fair market value of \$21.50 per share and vest in their entirety upon the first anniversary of the respective grant.

Director Nomination Process

Stockholder Recommendations and Nominations

It is the policy of the Nominating and Governance Committee to consider director candidates recommended by our stockholders holding on the date of submission of such recommendation, at least 250,000 shares of our common stock continuously for at least 12 months prior to such date.

Stockholders desiring to recommend a candidate for election to the board of directors should send their recommendation in writing to the attention of the Chairman of the Nominating and Governance Committee, at our offices located at 2755 Campus Drive, San Mateo, California 94403. This written recommendation must include the information and materials required by our bylaws as well as the candidate's name, home and business contact information, detailed biographical data, relevant qualifications, a signed letter from the candidate confirming willingness to serve, information regarding any relationships between the candidate and SERENA within the last three years and evidence of the required ownership of our common stock by the recommending stockholder. A copy of the relevant bylaw provision is available upon written request to our Corporate Secretary at the address provided above.

In accordance with the advance notice provision in our bylaws, director nominations to be considered at the next annual meeting of stockholders must be received by March 24, 2006.

Identifying and Evaluating Nominees for Director

The nominating and governance committee uses the following procedures for identifying and evaluating any individual recommended or offered for nomination to the board of directors:

The committee considers candidates recommended by stockholders in the same manner as candidates recommended by other sources.

The committee considers the following factors in its evaluation of candidates:

The current size and composition of the board of directors and the needs of the board of directors and the respective committees of the board of directors.

The candidate's judgment, independence, character and integrity, area of expertise, diversity of experience, length of service and potential conflicts of interest.

Other factors that the committee considers appropriate.

The nominating and governance committee requires the following minimum qualifications to be satisfied by any candidate recommended or offered for nomination to the board of directors:

The highest personal and professional ethics and integrity.

Proven achievement and competence in the candidate's field and the ability to exercise sound business judgment.

Skills that are complementary to those of the existing board of directors.

The ability to assist and support management and make significant contributions to our success.

An understanding of the fiduciary responsibilities that are required of a member of the board of directors and the commitment of time and energy necessary to diligently carry out those responsibilities.

Stockholder Communications with the Board of Directors

Stockholders who wish to communicate directly with our independent directors may do so by sending an e-mail message to Vita Strimaitis, our senior vice president and general counsel, at vstrimaitis@serena.com. Ms. Strimaitis monitors these communications and provides a summary of all received messages to the board of directors at its regularly scheduled meetings. Where the nature of the communication warrants, Ms. Strimaitis may decide to obtain more immediate attention of the appropriate committee or independent director of the board of directors, of independent advisors or of our management. Ms. Strimaitis may decide in her judgment whether a response to any stockholder communication is necessary.

Attendance at the Annual Meeting of the Stockholders

All directors are welcome to attend the annual meeting of stockholders. At the June 2004 annual meeting of stockholders, directors Dawson and Woodward were in attendance.

Interlocks and Insider Participation

The Compensation Committee is responsible for determining salaries, incentives and other forms of compensation for the directors and officers of SERENA and administering various incentive compensation and benefit plans. The Compensation Committee consists of J. Hallam Dawson, Gregory J. Owens and Carl Bass. Mark E. Woodward, President, Chief Executive Officer and a director of SERENA, participated in all discussions and decisions regarding salaries and incentive compensation for all employees and consultants of SERENA, except that he was excluded from discussions and decisions regarding his own salary and incentive compensation. No interlocking relationship exists between any member of SERENA's Compensation Committee and any member of any other company's board of directors or compensation committee.

PROPOSAL TWO

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The board of directors has selected KPMG LLP, independent auditors, to audit the financial statements of SERENA for the current fiscal year ending January 31, 2006. SERENA expects that representatives of KPMG LLP will be present at the Annual Meeting, will have the opportunity to make a statement if he or she desires to do so, and will be available to answer any appropriate questions.

Vote Required and Board of Directors Recommendation

The affirmative vote of the holders of a majority of the shares of Company stock present or represented and voting at the Annual Meeting will be required to approve this proposal. An abstention or nonvote is not an affirmative vote and, therefore, will have the same effect as a vote against the proposal.

The board of directors has unanimously approved this proposal and recommends that stockholders vote FOR the ratification of the selection of KPMG LLP.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of SERENA's common stock as of March 31, 2005 by (i) each person or entity who is known by SERENA to own beneficially 5% or more of SERENA's outstanding common stock; (ii) each director of SERENA; (iii) SERENA's Chief Executive Officer and each of SERENA's four most highly compensated executive officers who were serving as executive officers of SERENA as of January 31, 2005 (the Named Executive Officers); and (iv) all directors and executive officers of SERENA as a group.

Name and Address of Beneficial Owner (2)	Shares Beneficially Owned (1)	
	Number	Percent
Douglas D. Troxel (3)	12,482,225	28.3%
Mark E. Woodward (4)	603,544	1.4%
L. Evan Ellis, Jr. (5)	427,849	*
Robert I. Pender, Jr. (6)	360,788	*
Vita A. Strimaitis (7)	99,355	*
J. Hallam Dawson (8)	63,031	*
Gregory J. Owens (9)	59,687	*
David G. DeWalt (10)	34,531	*
Michael Linder (11)	31,839	*
Carl Bass (12)	12,500	*
Carl Theobald (13)		*
All directors and executive officers as a group (11 persons)	14,175,349	32.1%

* Less than 1%.

- (1) Percentage ownership is based on 44,161,863 shares of common stock outstanding as of March 31, 2005. Shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2005 are deemed to be outstanding for the purpose of computing the percentage ownership of a person or entity in this table, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or entity.
- (2) Except as otherwise indicated in the footnotes to this table and pursuant 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.
- (3) Includes 11,178,125 shares of common stock held by Mr. Troxel as trustee of the Troxel Living Trust; 1,077,100 shares of common stock held by Mr. Troxel as a general partner for Troxel Investments, L.P.; 225,000 shares of common stock held by Mr. Troxel as Manager for Troxel Investments, LLC.; and 2,000 shares of common stock held by Mr. Troxel as Trustee for Kenneth D. Troxel Trust. Mr. Troxel is SERENA's founder, Chief Technology Officer and Chairman of SERENA's board of directors.
- (4) Includes 603,544 shares subject to stock options held by Mr. Woodward that are exercisable within 60 days of March 31, 2005. Mr. Woodward is a director and SERENA's President and Chief Executive Officer.
- (5) Includes 426,246 shares subject to stock options held by Mr. Ellis that are exercisable within 60 days of March 31, 2005. Mr. Ellis is SERENA's Senior Vice President, Chief Operating Officer.
- (6) Includes 360,788 shares subject to stock options held by Mr. Pender that are exercisable within 60 days of March 31, 2005. Mr. Pender is a director and SERENA's Senior Vice President, Finance and Administration, and Chief Financial Officer.
- (7) Includes 96,251 shares subject to stock options held by Ms. Strimaitis that are exercisable within 60 days of March 31, 2005. Ms. Strimaitis is SERENA's Senior Vice President, General Counsel and Secretary.
- (8) Includes 62,031 shares subject to stock options held by Mr. Dawson that are exercisable within 60 days of March 31, 2005. Mr. Dawson is a member of SERENA's board of directors.
- (9) Includes 59,687 shares subject to stock options held by Mr. Owens that are exercisable within 60 days of March 31, 2005. Mr. Owens is a member of SERENA's board of directors.

- (10) Includes 34,531 shares subject to stock options held by Mr. DeWalt that are exercisable within 60 days of March 31, 2005. Mr. DeWalt is a member of SERENA's board of directors.
- (11) Includes 30,833 shares subject to stock options held by Mr. Lindner that are exercisable within 60 days of March 31, 2005. Mr. Lindner is SERENA's Vice President, EMEA Sales.
- (12) Includes 12,500 shares subject to stock options held by Mr. Bass that are exercisable within 60 days of March 31, 2005. Mr. Bass is a member of SERENA's board of directors.
- (13) Mr. Theobald is SERENA's Senior Vice President, Research and Development.

EXECUTIVE COMPENSATION

The table below and footnotes thereto set forth in summary form information concerning the compensation awarded to, earned by, or paid for services rendered to SERENA in all capacities during the fiscal years ended January 31, 2005, 2004 and 2003 by our current President and Chief Executive Officer and our next four most highly compensated executive officers (Named Executive Officers) whose salary and bonus for fiscal 2005 exceeded \$100,000. Other than the salary and bonus described in the table below, we did not pay any executive officer named in the Summary Compensation Table any fringe benefits, perquisites or other compensation in excess of the lesser of \$50,000 or 10% of such executive officer's salary and bonus during fiscal 2005. Bonus and commission figures for all fiscal years presented represent bonuses and commissions earned and paid in the fiscal year as well as bonuses and commissions earned in the fiscal year but paid in the following fiscal year.

Summary Compensation Table

Name and Principal Position	Annual Compensation		Long-term Compensation Awards		All Other Compensation			
	Fiscal Year	Salary	Bonus	Restricted Stock Awards (\$)	Securities Underlying Options (#)	Matching 401(k) Contributions	Group Life Insurance Premiums	Misc.
Mark E. Woodward								
Director, President and Chief	2005	\$ 357,955	\$ 504,438		227,500	\$ 10,911	\$ 630	
	2004	300,000	243,117		120,000	8,000	630	
Executive Officer	2003	300,000	235,250		350,000	1,833	438	
Robert I. Pender, Jr.								
	2005	263,636	364,825		127,500	10,716	409	
	2004	225,000	170,182		80,000	8,000	315	
Director, Senior Vice President	2003	225,000	192,325		275,000	7,478	316	
Finance and Administration,								
Chief Financial Officer								
L. Evan Ellis, Jr.								
Senior Vice President,	2005	240,455	301,064		65,000	8,502	408	
	2004	208,000	143,252		225,000	8,000	284	
Chief Operating Officer	2003	208,000	189,180		75,000	5,282	281	
Michael Lindner								
	2005	213,489	160,748		20,000		2,107	18,763(1)
	2004	176,748	226,175				1,928	9,272(1)
Vice President, EMEA Sales	2003	127,376	159,098		20,000		1,062	4,286(1)
Vita A. Strimaitis								
Senior Vice President,	2005	225,417	137,373		55,000	8,664	250	
	2004	203,125	38,974		20,000	8,000	179	110(2)
General Counsel and Secretary	2003	197,500	38,465		80,000	8,025	176	

(1) Represents car allowances paid by SERENA to the employee.

(2) Represents professional dues paid by SERENA on behalf of the employee

Option Grants During Last Fiscal Year

The following table sets forth certain information with respect to stock options granted to each of the Named Executive Officers during fiscal 2005, including the potential realizable value over the 10 year term of the options based on assumed rates of stock appreciation of 5% and 10%, compounded annually. These assumed rates of appreciation comply with the rules of the Securities and Exchange Commission and do not represent SERENA's estimate of our future stock price. Actual gains, if any, on stock option exercises will be dependent on the future performance of SERENA common stock. In fiscal 2005, SERENA granted options to acquire up to an aggregate of 2,158,338 shares to employees and directors, 2,113,338 shares of which were granted under the Amended and Restated 1997 Stock Option and Incentive Plan and 45,000 shares of which were granted under the Amended and Restated 1999 Director Option Plan. All grants under both plans were at an exercise price equal to not less than the fair market value of SERENA's common stock on the date of grant. Optionees may pay the exercise price by cash, check or delivery of already-owned shares of SERENA's common stock. All options granted in fiscal 2005 under the Amended and Restated 1997 Stock Option and Incentive Plan vest over four years with 25% of the shares subject to option vesting on the first anniversary of the grant date, and the remaining option shares vesting ratably monthly thereafter. The options granted in fiscal 2005 under the Amended and Restated 1999 Director Option Plan vest over one year, with all the shares subject to the option vesting after one year.

Number of Securities Underlying Options Granted	Percentage of Total Options Granted in Fiscal 2005	Average Exercise Price Per Share
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