SERENA SOFTWARE INC
Form 10-K
March 29, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 31, 2013

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 000-25285

SERENA SOFTWARE, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**94-2669809**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
1850 Gateway Drive	**(650) 481-3400**

San Mateo, California 94404-4060
(Address of Principal Executive Offices)

(Registrant s telephone number,
including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes x No ¨

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No x

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of common stock held by non-affiliates of the registrant was zero as of July 31, 2012, the last business day of the registrant s most recently completed second fiscal quarter. The registrant is a privately-held company, and there is no public trading market for its common stock.

As of March 29, 2013, the number of shares of the registrant s common stock outstanding was 99,146,777.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. None.

SERENA SOFTWARE, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended January 31, 2013

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PART I

ITEM 1. BUSINESS

Our Company

We design, develop, and sell orchestrated application lifecycle management (ALM), application release management, and information technology (IT) management software and solutions, which we refer to collectively as our Orchestrated IT solutions. We have over 2,400 active customers worldwide, comprised primarily of large enterprises commonly referred to as the Global 2000. Our primary goal is to provide Orchestrated IT solutions that advance the business value of IT. We are a leading ALM software vendor and a leader in orchestrating the convergence of application development and IT operations, which we refer to as DevOps. Our Orchestrated IT solutions simplify and automate the transition of new versions of applications into production by managing request, development, release, change and support processes across heterogeneous environments, including mainframe and non-mainframe environments. Non-mainframe environments include cloud, virtual and server-based environments, which we refer to as a distributed system environment.

Our revenue is generated by software licenses, maintenance contracts and professional services. Our software products are typically installed within customer IT environments and generally accompanied by renewable annual maintenance contracts.

We were incorporated in California in 1980 and re-incorporated in Delaware in 1998. In 2006, Spyglass Merger Corp., an affiliate of Silver Lake, a private equity firm, merged with and into us, a transaction we refer to in this annual report as the merger. As a result of the merger, our common stock ceased to be traded on the NASDAQ National Market and we became a privately-held company, with a majority of our common stock at the time of the merger on a fully diluted basis owned by investment funds affiliated with Silver Lake. Silver Lake and its affiliates, by virtue of their ownership of our common stock and their voting rights under a stockholders agreement, control the vote, in connection with substantially all matters subject to stockholder approval of more than 99% of our outstanding common stock.

Our fiscal year ends on January 31 and, except as otherwise provided, references to a particular fiscal year in this Annual Report on Form 10-K mean the fiscal year ended on January 31 of such year. For example, fiscal year 2013 refers to the fiscal year ended January 31, 2013.

Our Industry

Companies increasingly depend on IT software tools and solutions to manage the development and release of mission critical business applications and related processes. Many of the largest commercial businesses and governmental entities process massive amounts of transactions and data within centralized mainframe data centers and distributed system environments. Organizations are also increasingly opening their IT systems and applications to customers and suppliers through the internet and extranets to regularly interact with customers and suppliers, generate revenue through business applications, decrease business inefficiencies and reduce time to market.

Our customers applications, systems and IT infrastructure are constantly evolving to meet changing customer, supplier and employee requirements. In addition, government and industry regulations have increased the need for governance of these applications and monitoring changes to IT environments. Changes to IT environments are becoming increasingly complex by the tendency towards moving internal software development offshore and requiring IT managers to oversee multiple development processes across various geographies. As a result, specific functionality allowing organizations to audit, track and monitor changes and compliance, and revert back to previous versions, has become critical to managing IT processes and change. Organizations have an ongoing and growing need for solutions that efficiently and effectively manage change across increasingly complex IT environments.

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IT organizations are being required to add business value while at the same time reducing the cost of delivering IT services. IT organizations are looking to streamline the entire process of capturing, routing, fulfilling and releasing IT services in order to enhance visibility, improve service levels and lower overall costs. Internet and other innovative companies are increasingly developing business applications and deploying these applications in many smaller releases on a more frequent and sometimes continuous basis, resulting in the merger of application development, quality assurance and IT operations into an integrated organization that is responsible for managing these business applications from requirements to production and release to customers.

Our Orchestrated IT software products and solutions address a number of industry segments within the broader ALM and IT operations management markets, including software change and configuration management, application release management and IT service management. We believe that several factors will continue to drive growth in the markets we serve, including:

Accelerating Software Complexity. As organizations become more dependent on complex, cross-platform IT applications, the importance of managing IT change effectively is increasingly critical. ALM tools are necessary to understand how a change in one part of the IT environment will impact the other IT systems and processes related to such change.

Regulatory Compliance. Organizations across a range of industries are increasingly required to comply with changing and new regulations that require organizations to audit, track and manage changes to their IT systems. We believe these regulatory changes and the overall regulatory environment are forcing many companies to audit their IT practices and confront change management issues with a high degree of attention directed at the potentially severe consequences of change management failures.

Business Pressures for Productivity, Quality and Faster Time to Market. Ongoing pressures on IT departments to reduce spending and improve service will continue to focus attention on process improvement in the software delivery life cycle. Customers will look to vendors to provide well-integrated solutions that assure the delivery of high quality applications to the market faster.

Need for Rapid and Cost-Effective Management of Application Delivery. As organizations grow, the requirement for managing and documenting processes across multiple departments and geographies becomes mandatory. These processes often change rapidly, frequently requiring a cost effective solution to manage vital business processes.

Outsourcing. Companies continue to outsource critical IT functions by shifting software development to new geographic locations, creating the need to coordinate and communicate changes among developers in often widely dispersed locations. The outsourcing trend increases companies reliance on change management processes to allow all relevant personnel to view, approve and control changes to software applications.

Significant Opportunity to Replace Internally Developed Solutions. A significant number of companies and government agencies currently use manual processes and internally developed software to manage their IT environments and the release of applications. Due to accelerating software complexity, increasing regulatory requirements and outsourcing, a growing number of organizations have begun purchasing third-party software solutions instead of relying on manual processes and internally developed software solutions.

Opportunity to Address Application Release Bottlenecks. Modern multi-tier architectures, commonly referred to as N-tier web applications, are difficult, time consuming and expensive to release into virtualized data centers. The resulting bottlenecks can be resolved either with considerable labor and tolerance for defects, or through the automation of the application release process.

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Our Strategy

Our strategy is to be the leading provider of Orchestrated IT solutions that simplify and automate complex application development management and DevOps functions and processes by efficiently managing change and release of critical applications. Key elements of our strategy are described below:

Strengthen our Technological Leadership in Orchestrated IT. We are recognized around the world as an innovative leader in Orchestrated IT solutions. We have assembled a global team of research and development personnel with strong industry and technical expertise in ALM and application release management. We intend to maintain and extend our technological leadership primarily through innovation and continued investment in research and development (R&D), supplemented by external partnerships to allow us to accelerate the delivery of innovative solutions to new and existing customers within our target markets. We have a strategic vision to automate end-to-end application delivery processes from request through release.

Focus on Growth Markets. We intend to extend our reach and penetration into geographies where IT spending is growing, such as China and Latin America, through further development and support of our partner channel to expand our sales presence within these geographies.

Expand our SaaS Business. We currently offer a number of Software-as-a-Service (SaaS) solutions, including *Serena Service Manager* and *Serena Business Manager*. We expect to continue to invest in integrated SaaS solutions to enable our customers to operate within our SaaS environment, hosted private cloud environments and hybrid IT environments.

Be a Strategic Partner to Our Customers. We work very closely with customers to design and build best-in-class products and solutions specifically designed to meet their complex needs. We have a large, global installed base. We have a significant opportunity to sell these existing customers additional products. Moreover, we have the opportunity to sell additional licenses as customers expand capacity, add additional applications and users and develop a need for additional products to satisfy a broader set of requirements.

Customers

We have a diversified, global customer base of more than 2,400 active customers and have installed our products at customer sites worldwide. Our customers generally consist of large, mid-sized and small enterprises within the Global 2000 and public sector organizations. Our customers include industry leaders in the finance, telecommunications, automotive and transportation, healthcare, energy and power, equipment and machinery and technology industries.

No single customer accounted for more than 10% of the Company s total net revenues for fiscal year 2013, 2012 or 2011.

Our Products

Our integrated suite of software products and solutions offer comprehensive capabilities for application development and IT operations across both mainframe and distributed systems environments. Our solutions improve process consistency control and enhance the integrity of software that our customers create or modify. This helps protect our customers valuable application assets and improve software developer productivity, operational efficiency, application availability and return on IT investments, all of which ultimately reduce the costs of managing their IT environment.

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The following is an overview of product families:

Serena Requirements Manager: A comprehensive solution that orchestrates the entire requirements management process by providing comprehensive requirements capabilities, quick process coordination and reusable requirements across the application lifecycle. *Serena Requirements Manager* helps IT organizations shorten release times, increase customer satisfaction and reduce overall development costs.

Serena Development Manager: A comprehensive solution that helps global development organizations orchestrate application development across disparate platforms, departmental processes and development tools. *Serena Development Manager* helps IT organizations create a unified, flexible, and auditable development process that works with all tools, platforms, and processes throughout the entire application development lifecycle.

Serena Release Manager: A comprehensive solution that manages the implementation of software changes into the production environment. *Serena Release Manager* enables organizations to improve visibility into project timelines and progress, increase release flow by implementing critical changes into production sooner with existing resources, improve release quality and reduce downtime, and enforce consistency and traceability of changes. *Serena Release Manager* includes *Serena Release Automation*, which automates the approval and validation of code and the deployment of multi-tier, distributed applications and configuration settings.

Dimensions®: End-to-end cross-platform, highly scalable solution for distributed development. Our *Dimensions* product family integrates application development across global sites, stakeholders, and platforms. Using *Dimensions* allows organizations to model and automatically enforce software development processes. *Dimensions* features tight integration between requirements management and change/configuration management through a common process model and a unified data store that enables IT organizations to trace, validate and implement change requests without disruption during development. The *Dimensions* product line includes *Dimensions CM* for managing the application development, change and configuration process. Customers can also purchase *Dimensions RM* for gathering, tracking and managing application requirements throughout a project s lifecycle. *Prototype Composer*, which allows customers to graphically define and model application software requirements, is fully integrated with *Dimensions*.

PVCS®: *PVCS Professional:* Integrated suite of issue, version and build management tools for team-based environments. *PVCS Professional* includes *Serena Business Manager* and *PVCS Version Manager*, a version control product.

ChangeMan®: Software configuration management solution for mainframe systems, in particular z/OS environments. Our *ChangeMan* product family addresses the complexity of developing, deploying and maintaining mainframe software applications by providing software infrastructure to manage changes to mainframe applications in parallel, regardless of development methodology, geographic location or computing platform. The *ChangeMan* product family enables users to automate, control and synchronize those changes throughout their IT environments from a single point of control.

StarTool® and Comparex®: Application testing, data comparison, implementation and problem analysis for mainframe systems. These solutions improve mainframe application availability through file and data management, data comparison, fault analysis, application performance management, input/output optimization and application test debugging.

Serena Business Manager: An enterprise process management solution to map, track, and enforce any business process, such as IT requests. *Serena Business Manager* (*SBM*) allows customers to build and deploy integrated business processes that extend to all participants in a project, including departmental users, customers, suppliers and business partners. This Web-based, secure and highly configurable process and issue management solution creates repeatable, enforceable, auditable and predictable processes, giving our customers control, insight and predictability in their management of the application lifecycle and their business processes.

The *Serena Business Manager* product line includes *SBM Composer* for graphically designing composite applications that include workflow processes, orchestrated connections to other enterprise systems, and interactive web forms.

Serena Service Manager: Flexible process-based IT service management. *Serena Service Manager* leverages *SBM* to automate the change management and service delivery processes, provide a simple yet powerful role-based experience to service desk users, deliver visibility into the status of issues across the service lifecycle and assist with ITIL compliance. *Serena Service Manager* helps IT organizations deliver IT process improvements and efficiency in accordance with ITIL best practices.

Serena Demand Manager: A process-management solution for corporate users to prioritize and fulfill all of customers IT demands.

Serena Request Center: A front end interface for corporate users to discover and request IT services.

Serena Dashboard: An analytics solution which provides IT organizations rapid insight into their end-to-end IT processes.

Products Under Development

In the coming year, we plan to continue to execute on our mission to give enterprises control, predictability and insight over change from business planning to operations by enhancing existing products and releasing new solutions based on market needs and requirements. While each development project will be defined and scoped based on market analysis, taking into consideration the needs of our existing and prospective customers, trends in the market, competitive moves and technological advancements, there are a number of overarching corporate goals that will be considered as well.

As part of our strategy focused on application release management, we plan to continue to enhance the integrations between various products within our *Change and Release* portfolio, such as *Serena Release Control*, *Serena Request Center, Serena Service Manager* and *Serena Release Automation,* and with third-party vendor solutions, and management reporting tools (i.e., dashboards) within our products, to ensure that our customers have the ability to track, manage and control change in a closed loop, heterogeneous environment ensuring the effective management, traceability and auditability of application release management.

Our Orchestrated IT strategy is focused on using *Serena Business Manager* and *Serena Service Manager* to integrate all aspects of application development and IT operations across the enterprise. The objective is to create an integrated suite of not only Serena products, such as *Serena Development Manager* and *Serena Release Manager* but other third party and open source ALM products. We also plan to continue to develop and enhance the integrations within *Serena Requirements Manager* and *Serena Development Manager*.

Customer Service

In addition to our product offerings, we offer maintenance support and professional services. Our maintenance support provides customers the right to obtain available updates, bug fixes and telephone support for our applications. In addition, we provide professional services on a global basis to our customers to help them deploy best practices and to facilitate the optimal installation, implementation and usage of our software. Our professional services offerings also include technical consulting and educational services.

As of January 31, 2013, we employed 166 people in our worldwide customer service organization, of which 149 were full-time employees.

Research and Development

We are committed to delivering products and solutions that consistently provide value to our customers. In achieving this goal, we use our own products internally to automate much of our research and development operations. Our R&D staff also works very closely with our product marketing and support staff to ensure that all efforts are mapped closely to customer and market requirements.

We plan to continue making substantial investments in R&D to maintain our leadership position. We conduct our development activities primarily at our facilities located in California, Oregon, the United Kingdom and the Ukraine. We believe that our success will continue to depend on our ability to enhance our current products and to develop new products and services that meet the needs of our customers and the market. Our commitment to R&D is reflected in our investments in this area, which were $27.0 million, $26.9 million and $31.6 million for fiscal years 2013, 2012 and 2011, respectively, representing 13%, 12% and 15% of our total revenue in those years.

As of January 31, 2013, we had 246 people in our world-wide R&D organization, of which 120 were full-time employees and 112 were full-time contractors at our development center in Kiev, Ukraine.

Sales and Marketing

Our sales teams operate in the following three geographic regions: (i) Americas (including United States, Canada, Mexico, and Central and South America), (ii) Europe, Middle East, and Africa (EMEA), and (iii) Asia Pacific (APAC). Within each region, there are regional and country teams. We market our products and services primarily through our direct sales organization in the United States, France, Germany, Italy, the United Kingdom, Spain, the Nordic regions, Australia, Japan and Korea. In addition to our direct sales efforts, we have established relationships with distributors, resellers and original equipment manufacturers, or OEMs, located in North America, Latin America, Belgium, Italy, Spain, Hong Kong, India, Japan, Korea and South Africa. These distributors, resellers and OEMs market and sell our software as well as provide technical support, educational and consulting services.

We market our products through seminars, industry conferences, trade shows, advertisements, direct marketing efforts, and third-party and our own Internet sites. In addition, we have developed programs that promote an active exchange of information between our existing customers and us. These programs include customer meetings with our senior management and focus group meetings with customers to evaluate product positioning.

As of January 31, 2013, we employed 192 people in our worldwide sales and marketing organization, of which 184 were full-time employees.

Backlog

As our software license revenue in any quarter depends on orders booked and shipped in the last month, weeks or days of that quarter, we typically have either minimal or no backlog of orders for the subsequent quarter.

Seasonality

Many companies in our industry experience seasonal fluctuations in customer spending patterns, and we generally experience seasonally strong customer demand in the fourth quarter of each fiscal year. This historical pattern should not be considered a reliable indicator of our future net revenues or financial performance.

Competition

The market for our products and services is highly competitive and diverse. 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. We are focused on enhancing the features of our products and developing additional product integrations to allow our products to better operate with each other as well as with products offered by other software vendors and open source software for purposes of differentiating our products and solutions from the competition. We believe that the principal competitive factors necessary to be successful

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in our industry include product functionality, interoperability and reliability, the breadth of product offerings and solutions, effective sales and marketing efforts, reputation, financial stability and customer support.

We currently face competition from a number of sources, including:

- Customers internal IT departments;
- Providers of products that compete directly with the Serena *ChangeMan ZMF* and *Comparex* products, such as CA, Inc., IBM and smaller privately-held companies;
- Providers of application development programmer productivity and system management products, such as Compuware Corporation, IBM and smaller privately-held companies;
- Providers of mainframe application availability products that compete directly with Serena *Comparex* and the Serena *StarTool* product family, such as Compuware, IBM, CA, Inc. and smaller privately-held companies;
- Providers of application release management products that compete directly with *Serena Release Manager*, such as BMC Software, Inc. and smaller privately-held companies; and
- Providers of on-premise and SaaS-based IT service management (ITSM) solutions that compete directly with *Serena Service Manager*, such as BMC Software, Inc., ServiceNow, Inc. and smaller privately-held companies.
- Providers of open source software that compete directly with *Serena Development Manager*, *Dimensions CM* and *PVCS*, such as Subversion and, Git, and providers of open source software that compete directly with *Serena Business Manager*, such as Jira.

We may face competition in the future from established companies who have not previously entered the ALM and application release management markets and from emerging software and SaaS-based vendors. Barriers to entry in the distributed system software market are relatively low.

Intellectual Property

Our continued success depends 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 laws, procedures and contracts provide only limited protection. The duration of our trademark registrations vary from country to country. In the United States, we generally are able to maintain our trademark rights and renew trademark registrations for as long as the trademarks are in use. The duration of our patents issued in the United States is typically 17 years from the date of issuance of the patent or 20 years from the date of filing of the patent application. While we believe that our ability to maintain and protect our intellectual property rights is important to our success, we also believe that our business as a whole is not materially dependent on any particular patent, trademark, license or other intellectual property right of our company.

Employees

As of January 31, 2013, we had 547 full-time employees. None of our employees is represented by a labor union. In addition, we also had 112 full-time contractors at our development center in Kiev, Ukraine. We have not experienced any work stoppages and consider our relations with our employees and contractors to be good.

Financial Information

See Note 10 to our consolidated financial statements for information regarding segment reporting and financial information about geographic areas.

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ITEM 1A. RISK FACTORS

Risks Related to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations for potential acquisition opportunities, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under the senior subordinated notes.

As of January 31, 2013, our total indebtedness was $410.0 million. We are highly leveraged and our debt service costs are significant. Following the amendments of our senior secured credit agreement in March 2011 and April 2012, and our termination of the 2012 non-extended portion of the revolving credit commitment in September 2011, we have a $20.0 million committed source of credit available to us under the revolving credit facility of our senior secured credit agreement, of which the entire $20.0 million was unused and available to us as of January 31, 2013.

Our high degree of leverage could have important consequences, including:

- making it more difficult for us to make payments on the senior subordinated notes;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flows from operating activities to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit agreement, are at variable rates of interest;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit agreement and the indenture governing the senior subordinated notes. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Our senior secured credit agreement contains specified financial ratios and other financial condition tests that we must satisfy in order to avoid an event of default under our debt agreements.

Under our senior secured credit agreement, we are required to satisfy and maintain specified financial ratios and to satisfy other financial condition tests. Our ability to meet those financial ratios and tests is dependent upon our financial performance, which can be affected by events beyond our control. We have experienced declines in license and maintenance revenue in the recent past, which have been offset in part by decreases in costs. If our license or maintenance revenue continues to decline, and we are unable to grow our maintenance revenue or reduce our operating expenses, we may be unable to satisfy these ratios and tests. This would force us to seek a waiver or amendment with the lenders under our senior secured credit agreement, and no assurance can be given that we will be able to obtain any necessary waivers or amendments on satisfactory terms, if at all. The lenders would likely condition any waiver or amendment, if given, on additional consideration from us, such as a consent fee, a higher interest rate, principal repayment or more restrictive covenants and limitations on our business. A breach of any of these covenants, if not waived by the lenders, would result in a default under our senior secured credit agreement. Upon the occurrence of an event of default under our senior secured credit agreement, all amounts outstanding under our senior secured credit agreement could be declared to be (or could automatically become) immediately due and payable and all commitments to extend further credit could be terminated. In addition, a default under our senior secured credit agreement would result in a default under the indenture governing our senior subordinated notes, and all amounts outstanding under these notes could be declared immediately due and payable. If we were unable to repay those amounts, the lenders under our senior secured credit agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under our senior secured credit agreement. If the repayment of borrowings under our senior secured credit agreement is accelerated, we cannot assure you that we will have sufficient assets to repay our indebtedness under our senior secured credit agreement, as well as our unsecured indebtedness, including the senior subordinated notes.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our senior secured credit agreement and the indenture governing our senior subordinated notes restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our senior secured credit agreement and the indenture governing our senior subordinated notes contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, redeem or repurchase our capital stock or make other restricted payments;
- make investments;
- make capital expenditures;
- create certain liens;
- sell certain assets;
- enter into agreements that restrict the ability of our subsidiaries to make dividend or other payments to us;
- guarantee indebtedness;

engage in transactions with affiliates;

prepay, repurchase or redeem the senior subordinated notes;

create or designate unrestricted subsidiaries; and

consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

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Risks Related to Our Business

A decline or the continued uncertainty in global economic conditions could negatively affect our business, results of operations and financial condition.

Economic conditions, both domestically and abroad, directly affect our operating results. Current and future economic conditions, including such factors as consumer demand, unemployment and inflation levels, the availability of credit, and our customers financial condition, operating results and growth prospects may adversely affect our business and the results of our operations. The continued uncertainty in global economic conditions presents a variety of risks and uncertainties that could negatively affect our business, results of operations and financial condition, including the following:

- the demand for our products and services, and IT spending generally, may decline as businesses postpone, reduce or cancel IT and other spending in response to tighter credit, negative financial news, declines in income or asset values or economic uncertainty;

- our customers, distributors and resellers may choose to defer payments or fail to pay amounts owed to us, even though they may have no contractual right to do so;

- prolonged economic uncertainty may increase the pricing pressure on our maintenance contract renewal business and could negatively affect our maintenance revenue in the future;

- adverse economic conditions may promote consolidation in our customers industries as has occurred in the financial services industry in which many of our customers operate. Customer consolidation may lead to such adverse effects as reduced demand for our products and services by particular customers and within their industry more generally, greater pricing pressure and pressure to renegotiate existing contracts, replacement of our products in our installed base with competing products, and cancellations and reductions of previously planned customer purchases;

- we may experience increased pricing competition for our products and services;

- significant fluctuations and uncertainty about the future of currencies such as the Euro and the British Pound could negatively affect our revenues, specifically those derived internationally; and

- the length of time that existing economic and financial market conditions may persist is unknown.

In addition, although we do not anticipate needing additional capital in the near term due to our current financial position, financial market disruption may make it difficult for us to raise additional capital upon acceptable terms or at all. As of January 31, 2013, the committed source of credit available to us under our senior secured credit agreement was $20.0 million.

If adverse global economic conditions persist, the foregoing risks could result in our failure to meet the financial covenants under our senior secured credit agreement. A breach of any of these financial covenants would result in a default under our senior secured credit agreement, in which event all outstanding amounts could be declared immediately due and payable. Any such acceleration would also result in a default under the indenture governing our senior subordinated notes. If repayment under our senior secured credit agreement is accelerated, we cannot assure you that we would have sufficient assets or access to credit to repay our indebtedness or, if credit were available, that it would be upon acceptable terms.

If management is unable to effectively forecast revenues and budget operating expenses, our business could be harmed.

Our revenues, particularly our software license revenues, are difficult to forecast. Our sales personnel identify and monitor the status of qualified opportunities and proposals during a given quarter, such as the estimated date when a transaction will close and the potential dollar amount of the transaction. We aggregate these estimates in order to generate a quarterly sales forecast. While this analysis provides visibility to our potential customers and the associated revenue, these estimates may not correlate to actual revenue in a particular quarter. A slowdown in the economy, domestically and internationally, has caused in the past and may cause in the future customer purchasing decisions to be delayed, reduced in amount or cancelled, all of which have reduced and could reduce the rate of conversion of the sales forecast into revenue contracts. In addition, primarily due to a substantial portion of our software licenses revenue contracts closing in the latter part of a quarter, management may be unable to proportionally reduce our operating expenses for that quarter in response to a shortfall in revenues, which could adversely affect our business, operating results and financial condition.

If we fail to adequately evolve our financial and managerial control and reporting systems and processes, our ability to manage and grow our business will be negatively affected.

Our ability to successfully offer our products and implement our business plan in a rapidly evolving market depends upon an effective planning and management process. We will need to continue to improve our financial and managerial control and our reporting systems and procedures in order to manage our business effectively in the future. If we fail to continue to implement improved systems and processes, our ability to manage our business, financial condition, and results of operations may be negatively affected.

Our future revenue is substantially dependent upon our installed customer base renewing maintenance agreements for our products and licensing or upgrading additional Serena products; our future maintenance revenue is dependent on future sales of our software products and could decline.

We depend on our installed customer base for future revenue from maintenance renewal fees and licenses or upgrades of additional products. Our maintenance revenue has declined in each of the past three years. If our customers do not purchase additional products, do not upgrade existing products or cancel or fail to renew their maintenance agreements or if they require us to discount our maintenance fees as part of renewing their maintenance agreements or the licensing of additional licensed capacity, our business, operating results and financial condition could be materially adversely affected. 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 agreements are renewable annually at the option of the customer, and there are no minimum payment obligations or obligations to license additional software. In addition, prolonged economic uncertainty has increased the pressure our customers are placing on maintenance renewals and pricing. We may also enter into enterprise license agreements with our customers, which generally result in reduced maintenance fees on a per unit basis due to the increased discounting of associated software license revenue or multi-year maintenance commitments, or both. Our maintenance revenue is dependent upon the continued use of maintenance by our installed customer base and our current installed customer base may not necessarily generate significant maintenance revenue in future periods. In addition, any downturn in our software license sales would have a negative impact on the growth of our professional service revenue and maintenance revenue in future periods.

Our profitability is substantially dependent upon revenues derived from our mainframe software products. If revenues for our mainframe software products decline before we increase our revenues and margins derived from our distributed software products, our profitability may decline.

The license and maintenance revenues from our mainframe software products generate significantly higher margins than our distributed software products. We expect that our future revenue growth will be derived from our distributed software products, primarily our application release management and DevOps solutions, and do not expect future revenue growth from our mainframe software products due to the maturity of this market. We experienced a decline in software license revenue from our mainframe software products and an associated decline in our profitability during the fiscal year ended January 31, 2013. If revenues from our mainframe software products continue to decline faster than we generate increasing revenues and margins from our distributed software products, our operating results and financial condition could be materially adversely affected.

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If our target markets do not evolve as we anticipate, our business will be adversely affected.

If we fail to properly assess and address our target markets or if our products and services fail to achieve market acceptance for any reason, our business, operating results and financial condition would be materially adversely affected. With regard to the ALM market, IT organizations have historically addressed their ALM requirements with solutions developed internally. As ALM requirements have become more complex, IT organizations began to migrate to more sophisticated third-party ALM products. Our future financial performance will depend in large part on the continued growth in the number of businesses adopting third-party ALM products and the expansion of their use on a company-wide basis. In addition, we only recently began to offer products in application release management and application release automation markets and have significantly less experience with these markets than the ALM market. Since the markets for our products are still evolving, it is difficult to assess the competitive environment or the size of the market that may develop. Moreover, these markets may grow more slowly 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 or SaaS offerings by new or existing 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 the market for IBM and IBM-compatible mainframes decreases, it could adversely affect our business.

Our mainframe revenue is dependent upon the continued use and acceptance of IBM mainframes (including the periodic refresh by IBM of its mainframe offerings) and of IBM-compatible mainframes and the growth of this market. If the role of the mainframe does not increase as we anticipate, or if it decreases, this may 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, operating results and financial condition may be materially adversely affected. We expect that, for the foreseeable future, a significant portion of our software license revenue will continue to come from the 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.

If we fail to effectively manage our sales and marketing organizations, it could adversely affect our business.

The loss of key sales or marketing employees could result in disruptions to our business and materially adversely affect our license revenue, operating results and financial condition. We have recently experienced significant turnover within our direct sales force, particularly within North America, which could result in reduced sales productivity, increased sales cycles and the delay or loss of business. If we are required to hire new sales and marketing employees in the future, a substantial amount of time and training is generally required before these personnel become productive. The hiring, training and integration of additional and replacement personnel would be time consuming, would likely increase our operating expenses and could cause disruptions to our business, which could materially adversely affect our revenue, operating results and financial condition. If we fail to manage our sales and marketing organizations effectively, these organizations may fail to perform as we anticipate, which could materially adversely affect our license revenue and weaken our competitive position.

Any delays in our normally lengthy sales cycles could result in significant fluctuations in our operating results.

Our sales cycle typically takes three to eighteen months to complete and varies from product to product. Any delay in the sales cycle of a large license or a number of smaller licenses could result in significant fluctuations in our operating results. 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 and complexity of a potential transaction and the level of competition that we encounter in our selling activities. We have experienced an overall lengthening of sales cycles in the current economic environment as customers have more rigorously scrutinized potential IT purchases. Additionally, the emerging market for our products and services contributes to the lengthy sales process in that during the sales cycle we often have to educate potential customers on the use and the benefits of our products. In certain circumstances, we license our software to customers on a trial basis to assist customers in their evaluation of our products. Our sales cycle can also be further extended for product sales made through third party distributors.

Our industry changes rapidly due to evolving technology standards, and our future success will depend on our ability to continue to meet the sophisticated needs of our customers.

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 particularly for our distributed systems products. We must 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. 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. We expect that our product development efforts will continue to require substantial investments, and we may not have sufficient resources to make the necessary investments. If we are unable to successfully and timely develop our products due to development constraints, such as high employee turnover, lack of technical ability or lack of development resources, our products may fail to address these evolving customer requirements and become less competitive in our target markets. Any of these events could have a material adverse effect on our business, operating results and financial condition.

We are subject to intense competition in our target markets, and we expect to face increased competition in the future, which could have an adverse effect on us.

We may not be able to compete successfully against current or future competitors, and such inability would materially adversely affect our business, operating results and financial condition. The market for our products is highly competitive and diverse. Moreover, the technology for products in our target markets may change rapidly. New products are frequently introduced, and existing products are continually enhanced. Competition may also result in changes in pricing policies by us or our competitors, potentially materially adversely affecting our business, operating results and financial condition. 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.

Competition in the Software Change and Configuration Management Market. We face significant competition as we develop, market and sell our distributed systems products, including *PVCS Professional, PVCS Version Manager* and *Dimensions CM* products. Competitors in the distributed systems market include IBM, CA, Inc., Microsoft, and other smaller companies. A growing portion of the market is also using free open source tools to address their basic needs for issue/defect tracking and source code control, such as *Jira* and *Subversion*, resulting in an increased source of competition for our distributed system products, particularly *PVCS Professional, PVCS Version Manager, Serena Business Manager* and, to a lesser extent, *Dimensions CM* .

Competition in the Mainframe market. We currently face competition from a number of sources, including:

- customers internal IT departments;

- providers of products that compete directly with *ChangeMan ZMF* and *Comparex*, such as CA, Inc., IBM and smaller privately-held companies;

- providers of application development programmer productivity and system management products, such as Compuware, IBM and smaller privately-held companies; and

- providers of mainframe application availability products that compete directly with Serena *Comparex* and the Serena *StarTool* product family, such as Compuware, IBM, CA, Inc. and smaller privately-held companies.

Competition in Other Markets. We currently face competition from a number of sources, including:

- providers of on-premise application release automation solutions that compete with *Serena Release Automation*, such as BMC and smaller privately-held companies; and

- providers of on-premise and SaaS-based ITSM solutions that compete with *Serena Service Manager*, such as BMC, ServiceNow and smaller privately-held companies.

Future Competition. We may face competition in the future from established companies who have not previously entered the mainframe or distributed systems market or from emerging software companies and SaaS providers. Increased competition may materially adversely affect our business, operating results and financial condition due to price reductions, reduced gross margins and reduction in market share. Established companies may not only develop their own mainframe or distributed system products and SaaS-based solutions, but they may also acquire or establish cooperative relationships with our competitors, including cooperative relationships between large, established companies and smaller privately-held companies. Because larger companies have significant financial and organizational resources available, they may be able to quickly penetrate the mainframe or distributed systems market through acquisitions or strategic relationships and may be able to leverage the technology and expertise of smaller companies and develop successful ALM products and SaaS-based solutions. We expect that the software industry in general, and providers of ALM 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.

Bundling or Compatibility Risks. 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 ALM products for promotional purposes. If that were to happen, our business, operating results and financial condition may be materially adversely affected as we may be priced out of the market or no longer be able to offer commercially viable products.

We may encounter problems conducting our international operations, and factors associated with international operations could adversely affect our business.

International Operations. We have sales offices in the United Kingdom, Germany, Sweden, France, Spain, Australia, Japan and Singapore. We have limited experience in marketing, selling and supporting our products in many countries, and may not be able to successfully market, sell, deliver and support our products internationally.

Risks of International Operations. International sales were 35%, 36%, and 32%, of our total revenue in the fiscal years ended January 31, 2013, 2012 and 2011, respectively. Our international revenue is attributable principally to our European operations. Our international operations are subject to a variety of risks associated with conducting business internationally that could materially adversely affect our business, operating results and financial condition, including the following:

- difficulties in staffing and managing international operations;

- problems in collecting accounts receivable;

- longer payment cycles;

fluctuations in currency exchange rates and uncertainty about the future of currencies such as the Euro and the British Pound;

- inability to control or predict the levels of revenue produced by our international distributors;
- seasonal reductions in business activity such as during the summer months in Europe and certain other parts of the world;
- limitations on repatriation of earnings;
- difficulties in enforcing the terms of our agreements with customers, distributors and resellers;
- reduced protection of intellectual property rights in some countries;
- increased austerity measures by several European governments;
- political and economic instability;
- recessionary environments in foreign economies; and
- increases in tariffs, duties, price controls or other restrictions on foreign currencies or trade barriers imposed by foreign countries.

We conduct substantial software development operations in the Ukraine that are subject to economic and political changes, changes in laws, policies and taxation and the current physical infrastructure of the country. Should we become unable to conduct operations in this country in the future, and our contingency and business continuity plans are unsuccessful in addressing the related risks to our software development operations, our business could be adversely affected. In addition, the laws of the Ukraine may not protect our intellectual property rights in our software products to the same extent as the laws of the United States. Furthermore, as the software and technology labor market in the Ukraine develops and multi-national companies compete for talent, there is a risk that wage and attrition rates may increase faster than we have anticipated, which could adversely affect our software development activities and results of operations.

Growing market acceptance of open source software could cause a decline in our revenue and operating margins.

Growing market acceptance of open source software has presented both benefits and challenges to the commercial software industry in recent years. Open Source software is made widely available by its authors and is licensed as is for a nominal fee or, in some cases, at no charge. As the use of open source software becomes more widespread, certain open source technology, such as *Subversion*, have become competitive with our products offering software version control capabilities, such as *PVCS Version Manager* and, to a lesser extent, *Dimensions CM*, which has caused the sale of these products to decline. In addition, *Jira*, an open source bug tracking tool, has become competitive with the use of *Serena Business Manager* as an issue and defect tracking tool. Further adoption of open source software within the markets that we sell could cause further declines in the sale of our products or force us to reduce the fees we charge for our products, which could have a material adverse impact on our revenue and operating margins.

We may experience delays in developing our products which could adversely affect our business.

If we are unable, for technological or other reasons, to develop and introduce new and improved products and services in a timely manner, this could materially adversely affect our business, operating results and financial condition. We have experienced product development delays in new version and update releases in the past and may experience similar or more significant product 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. Any delay in releasing our new distributed systems products, for whatever reason, could have a material adverse effect on our business, operating results and financial condition.

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Acquisitions may be difficult to integrate, disrupt our business or divert the attention of our management.

Historically, we have expanded our product offerings by acquiring other companies and by acquiring specific products from third parties. We may acquire or make investments in other companies and technologies. In the event of any acquisitions or investments, we could:

- incur debt;
- assume liabilities;
- incur charges for the impairment of the value of investments or acquired assets; or
- incur amortization expense related to intangible assets.

If we fail to achieve the financial and strategic benefits of past and future acquisitions or investments, our operating results will suffer. Acquisitions and investments involve numerous other risks, including:

- difficulties integrating the acquired operations, technologies or products with ours;
- failure to achieve targeted synergies;
- unanticipated costs and liabilities;
- diversion of management s attention from our core business;
- adverse effects on our existing business relationships with suppliers and customers or those of the acquired organization;
- difficulties entering markets in which we have no or limited prior experience; and
- potential loss of key employees, particularly those of the acquired organizations.

Fluctuations in the value of foreign currencies could result in currency transaction losses.

A majority of our international business is conducted in foreign currencies, principally the Euro and the British pound. Fluctuations in the value of foreign currencies relative to the U.S. dollar 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 us from risks associated with foreign currency fluctuations.

Our goodwill became impaired in fiscal year 2009 and certain amortizable intangible assets became impaired in fiscal year 2010. If our goodwill or amortizable intangible assets again becomes impaired in the future, we may be required to record a significant charge to earnings.

Under generally accepted accounting principles, we review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include a decline in expected future cash flows and slower growth rates in our industry. We may be required to record significant charges in any future period for which impairment of our goodwill or amortizable intangible assets is determined.

Third parties in the future could assert that our products infringe their intellectual property rights, possibly adversely affecting our business.

Third parties may claim that our current or future products and services infringe their proprietary rights. Any claims of this type could affect our relationships with existing customers and may prevent future customers from licensing our products or using our services. Because we are dependent upon a limited number of products

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and services, any such claims, with or without merit, could be time consuming to defend, result in costly litigation, cause product shipment or service deployment 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, services and competition in the software industry segments increase and the functionality of products and services in different industry segments overlap. In addition, we use open source software in our solutions and will use open source software in the future. From time to time we may face claims against companies that incorporate open source software into their products, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. Infringement claims could result in litigation, require us to purchase costly licenses or require us to devote additional research and development resources to change our products, any of which would have a negative effect on our business and operating results.

Errors in our products or the failure of our products to conform to specifications could result in our customers demanding refunds from us or asserting claims for damages against us.

As our software products and services 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 and services 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 and services, diversion of development resources, injury to our reputation, or increased service and warranty costs. These problems could materially adversely affect our business, operating results and financial condition. In the past we have discovered errors in certain of our products and have experienced delays in the shipment of our products during the period required to correct these errors. These delays have principally related to new version and product update releases. To date, none of these delays have materially affected our business. However, product and services errors or delays in the future, including any product and services errors or delays associated with the introduction of our distributed systems products and solutions, could be material. In addition, in certain cases we have warranted that our products will operate in accordance with specified customer requirements. If our products or services fail to conform to such specifications, customers could demand a refund for the software license fees or service fees paid to us or assert claims for damages.

Product liability claims asserted against us in the future could adversely affect our business.

We may be subject to claims for damages related to product errors in the future. A material product liability claim could materially adversely affect our business. Our license agreements with our customers typically contain provisions designed to limit exposure to potential product liability claims. Our standard software licenses provide that if our products fail to perform, we will correct or replace such products. If these corrective measures fail, we may be required to refund the license fee for the non-performing products. Our standard license agreement limits our liability for non-performing products to the amount of license fee paid. Our standard license also provides that we will not be liable for indirect or consequential damages caused by the failure of our products. 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.

Changes in accounting regulations and related interpretations and policies regarding revenue recognition could cause us to defer recognition of revenue or recognize lower revenue and profits.

Although we use standardized license agreements designed to meet current revenue recognition criteria under generally accepted accounting principles, we must often negotiate and revise terms and conditions of these standardized agreements, particularly in multi-product or multi-year transactions. As our transactions increase in complexity with the sale of larger, multi-product, multi-year licenses, negotiation of mutually acceptable terms and conditions can extend the sales cycle and, in certain situations, may require us to defer recognition of revenue on such licenses. We believe that we are in compliance with revenue recognition guidance applicable to software transactions, however, these future, more complex, multi-product, multi-year license transactions may require additional accounting analysis to account for them accurately, could lead to unanticipated changes in our current revenue accounting practices and may contain terms affecting the timing of revenue recognition.

If we do not adequately manage and evolve our financial systems and processes, our ability to manage and grow our business may be harmed.

Our ability to successfully implement our business plan and comply with regulations, including the Sarbanes-Oxley Act, requires an effective financial system and management process. We expect that we will need to continue to improve existing, and implement new, operational and financial systems, procedures and controls to manage our business effectively in the future. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures and controls, could harm our ability to accurately forecast sales demand, manage our supply chain and record and report financial and management information on a timely and accurate basis.

Our executive officers and certain key personnel are critical to our business, and such officers and key personnel may not remain with us in the future.

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. If we lost the services of one or more of our executives or key employees, including if one or more of our executives or key employees decided to join a competitor or otherwise compete directly or indirectly with us, our business could be materially adversely affected. During fiscal year 2013, our Chief Executive Officer, Senior Vice President of North America Sales and Services, Vice President of Finance and Acting Chief Financial Officer, and senior managers within our research and development organization and sales organization resigned from their positions at our company. Certain of our executive officers are not parties to employment agreements with us. In addition, we do not maintain key man life insurance on our employees and have no plans to do so. If we are unable to successfully reorganize our business around the departures of executive officers or key personnel or identify, hire, train and integrate new executive officers or other key personnel into our business, if any new executive officers are unable to successfully perform in their positions, establish and implement our business strategy or manage our business, or if any key management personnel are unable to successfully perform in their positions or manage their functional areas, our business and operating results could be materially adversely affected.

The interests of our controlling stockholder may differ from the interests of the holders of our securities.

Investment funds affiliated with Silver Lake beneficially own, in the aggregate, approximately 66.7% of our outstanding common stock as of January 31, 2013 and beneficially own the only authorized share of our series A preferred stock. In addition, Silver Lake and its affiliates, by virtue of their ownership of our common stock and their voting rights under a stockholders agreement, control the vote, in connection with substantially all matters subject to stockholder approval of more than 99% of our outstanding common stock. As a result of this ownership and the terms of a stockholders agreement, Silver Lake is entitled to elect directors with majority voting power in our Board of Directors, to appoint new management and to approve actions requiring the approval of the holders of our outstanding voting shares as a single class, including adopting most amendments to our certificate of incorporation and approving mergers or sales of all or substantially all of our assets. The interests of Silver Lake and its affiliates may differ from other holders of our securities in material respects. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of Silver Lake and its affiliates, as equity holders, might conflict with the interests of our other holders of our securities. Silver Lake and its affiliates may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its equity investments, even though such transactions might involve risks to other holders of our securities, including the incurrence of additional indebtedness. Additionally, the indenture governing our senior subordinated notes permits us to pay advisory fees, dividends or make other restricted payments under certain circumstances, and Silver Lake may have an interest in our doing so. We are party to a management advisory agreement with Silver Lake that provides for us to pay advisory and other fees to Silver Lake. Silver Lake and its affiliates are in the business of making investments in companies and may, from time to time in the future, acquire interests in businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. You should consider that the interests of Silver Lake and its affiliates may differ from other holders of our securities in material respects.

We rely on certain licenses from third parties and the loss or inability to obtain or renew any such licenses could harm our business.

Several of our products are designed to include intellectual property licensed from third parties. It may be necessary for us to seek or renew such licenses in the future. While we believe such licenses generally can be obtained or renewed on commercially reasonable terms, there can be no assurance that the necessary licenses will be available or renewed on acceptable terms. The inability to obtain or renew certain licenses or other rights on favorable terms could have an adverse effect on our business and operating results, including the ability to continue to support our affected products.

Changes in effective tax rates or adverse outcomes resulting from examination of our income or tax returns from tax authorities could adversely affect our results.

Our future effective tax rates could fluctuate or be adversely affected by events such as but not limited to: having higher than anticipated earnings in countries where we have high statutory tax rates and having lower than anticipated earnings in countries where we have low statutory tax rates; changes in the valuation of our deferred tax assets and liabilities; expiration of, or lapses in, research and development tax credit regulations applicable to us; transfer pricing adjustments under our intercompany cost sharing arrangements and changes in tax laws, regulations, accounting principles or interpretations. We are also subject to examination of our income tax returns by the Internal Revenue Service and other domestic and international tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our income tax provision. There can be no assurance that the outcomes from such examinations will not have an adverse effect on our business, results of operations and financial condition.

Business interruptions could adversely affect our business.

Our operations and the operations of our business partners and customers are vulnerable to interruptions by earthquake, fire, hurricane, nuclear reactor leak, power loss, tsunami and other events beyond our control. For example, our corporate headquarters is located near major earthquake faults. We do not have multiple capacity sites to support all of our services in the event of such an occurrence. Additionally, major public health issues such as an outbreak of a pandemic or epidemic may interrupt our business operations or our customers in the geographic regions affected by the particular health issue. In the event that a material business interruption occurs that affects us or our customers, we may be unable to deliver our software products or provide maintenance and professional services to customers as promised, and our business and financial results could be harmed. Furthermore, our IT infrastructure including our network and servers may be vulnerable to computer viruses, malware attacks, and similar disruptions from unauthorized tampering of our IT systems and infrastructure. Such events could have a material adverse effect on our business and financial results and result in potential claims from third parties of liability and damages.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal administrative, sales, marketing, consulting, education, customer support and research and development facilities are located at our headquarters in San Mateo, California and in Hillsboro, Oregon. We currently occupy an aggregate of approximately 21,000 square feet of office space in our San Mateo facility, 33,000 square feet of office space in our Hillsboro facility, 16,000 square feet of research and development space in our Kiev facility in Ukraine, 13,000 square feet of office space in our St. Albans facility in the United Kingdom, 5,600 square feet of office space in our Woodland Hills facility in California, 5,500 square feet of office space in our Paris facility in France and 2,800 square feet of office space in our Munich facility in Germany, under leases with terms running through November 2018, November 2018, January 2015, March 2021, October 2017, March 2014 and December 2016, respectively. Management believes its current facilities will be adequate to meet our needs for at least the next twelve months. We believe that suitable additional facilities will be available in the future as needed on commercially reasonable terms.

We also lease office space for sales and marketing in various locations throughout North America and in Brazil, Belgium, Spain, Germany, Italy, Sweden, Australia, Korea, Japan, Singapore and India.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we are subject to periodic legal proceedings and claims. Although we cannot predict with certainty the ultimate outcome of these matters, we do not believe that any currently pending legal proceeding to which we are a party is likely to have a material adverse effect on our business, results of operations, cash flows or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our outstanding common stock is privately held, and there is no established public trading market for our common stock. As of the date of this filing, there were 37 holders of record of our common stock.

During the fourth quarter of fiscal year 2013, our current employees exercised 5,519 stock options in exchange for common shares for an aggregate exercise price of $19,206. The options were effected through a combination of cash and net exercises, with 1,323 shares applied to the payment of the exercise prices, 2,361 shares applied to the payment of applicable tax and withholding obligations and 1,835 shares issued to the employees.

During the fourth of quarter of fiscal year 2013, a total of 500,000 shares of our common stock were issuable to certain directors and employees as a result of the vesting of restricted stock units. Certain directors and employees paid their respective tax and withholdings through the net issuance of shares. A total of 172,880 shares of common stock were applied to the payment of applicable tax and withholding obligations and 327,120 shares of common stock were issued to the directors and employees. No consideration was furnished by such directors and employees in exchange for the shares of common stock.

The shares of common stock were issued under an exemption from registration requirements pursuant to Rule 701 of the Securities Act of 1933, as amended, which provides an exemption for offers and sales of securities pursuant to certain compensatory benefit plans.

See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for a description of restrictions on our ability to pay dividends.

See Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters Equity Compensation Plan Information.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and the Consolidated Financial Statements and notes thereto in Item 8, Financial Statements and Supplementary Data (in thousands):

	Fiscal Years Ended January 31,				
	2013	**2012 (1)**	**2011 (1)**	**2010 (1)**	**2009 (1)**
Consolidated Statements of Comprehensive Income (Loss) Data:					
Revenue	$ 203,437	$ 219,541	$ 214,386	$ 224,014	$ 260,237
Cost of revenue	36,412	39,399	64,771	78,417	84,755
Gross profit	167,025	180,142	149,615	145,597	175,482
Operating expenses	138,226	141,975	146,703	151,434	492,068
Operating income (loss)	28,799	38,167	2,912	(5,837)	(316,586)
Other expense, net (1)	(30,297)	(28,305)	(24,616)	(25,672)	(30,223)
Income (loss) before income taxes (1)	(1,498)	9,862	(21,704)	(31,509)	(346,809)
Income tax (benefit) provision	(3,981)	918	(12,437)	(18,705)	(11,424)
Net income (loss) (1)	2,483	8,944	(9,267)	(12,804)	(335,385)

	As Of January 31,				
	2013	**2012 (1)**	**2011 (1)**	**2010 (1)**	**2009 (1)**
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 97,315	$ 109,688	$ 126,374	$ 124,996	$ 115,044
Working capital (1)	37,056	49,224	49,843	52,382	39,437
Total assets	646,027	694,372	748,037	823,222	901,532
Long-term debt	410,042	442,765	485,265	525,952	552,383
Total stockholders equity (1)	121,563	118,901	109,234	116,446	128,818

(1) As further discussed in Note 1 to our consolidated financial statements, certain amounts in fiscal years 2009 through 2012 have been revised for immaterial corrections of errors in interest expense and accrued interest payable as follows (in thousands):

	Fiscal Years Ended January 31,		
	2011	**2010**	**2009**
Consolidated Statement of Comprehensive Income (Loss) Data:			
Other expense, as previously reported	$ (24,905)	$ (25,890)	$ (30,448)
Other expense, as revised	(25,194)	(26,108)	(30,673)
Income (loss) before income taxes, as previously reported	(21,993)	(31,727)	(347,034)
Income (loss) before income taxes, as revised	(21,704)	(31,509)	(346,809)
Net loss, as previously reported	(9,556)	(13,022)	(335,610)
Net loss, as revised	(9,267)	(12,804)	(335,385)

	As Of January 31,			
	2012	**2011**	**2010**	**2009**
Consolidated Balance Sheet Data:				
Working capital, as previously reported	47,455	48,074	50,902	38,175
Working capital, as revised	49,224	49,843	52,382	39,437
Total stockholders equity, as previously reported	117,132	107,465	114,966	127,556
Total stockholders equity, as revised	118,901	109,234	116,446	128,818

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report on Form 10-K (Report), including the following Management s Discussion and Analysis of Financial Condition and Results of Operations, should be read in conjunction with the Consolidated Financial Statements and the notes thereto included elsewhere in this report, and contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to safe harbors under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. These forward-looking statements include, but are not limited to, statements about financial projections, operational plans and objectives, future economic performance and other projections and estimates contained in this Report. When used in this Report, the words expects, anticipates, intends, plans, believes, seeks, estimates and similar expressions identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, they are subject to important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, including those risk factors discussed the items entitled Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in, or incorporated by reference into, this Report. We assume no obligation to update the forward-looking information contained in this Report.

Overview

At Serena Software, we design, develop, and sell orchestrated application lifecycle management (ALM), application release management, and information technology (IT) software and solutions, which we refer to collectively as our Orchestrated IT management solutions. Our primary goal is to provide Orchestrated IT solutions that advance the business value of IT. We are a leading ALM software vendor and a leader in orchestrating the convergence of application development and IT operations, which we refer to as DevOps. Our Orchestrated IT solutions simplify and automate the transition of new versions of applications into production by managing request, development, release, change and support processes across heterogeneous environments, including mainframe and non-mainframe environments.

Our revenue is generated by software licenses, maintenance contracts and professional services. Our distributed systems products are licensed on a per user seat basis. Customers typically purchase mainframe products under million instructions per second, or MIPS-based, perpetual licenses. Mainframe software products and applications are generally priced based on hardware computing capacity the higher the mainframe computer s MIPS capacity, the higher the cost of the software license. Our software products are typically installed within customer IT environments and generally accompanied by renewable annual maintenance contracts.

We also provide ongoing maintenance, which includes technical support, version upgrades and enhancements.

Professional services revenue is derived from technical consulting and educational services. Maintenance revenue and professional services revenue have lower gross profit margins than software license revenue as a result of the costs inherent in operating our customer support and professional services organizations.

Our expenses have historically been driven by personnel-related costs, including wages, commissions, bonuses, vacation, employee benefits, stock-based compensation, and travel, and we expect this trend to continue. We had a total of 547, 560, and 579 employees as of January 31, 2013, 2012, and 2011, respectively.

In fiscal year 2013, we continued to experience a global macroeconomic environment in which our customers exercised care and conservatism in their investment prioritization and project deployments. We expect that our customers will continue to remain cautious with their IT spending in the near term, particularly within Europe.

As further discussed in Note 1 to the consolidated financial statements and in Item 6, *Selected Financial Data*, certain amounts in fiscal years 2009 through 2012 have been revised for immaterial corrections of errors in interest expense and accrued interest payable. All amounts within this section have been adjusted for these revisions, as applicable.

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Executive Summary

The following table provides an overview of our financial highlights (in thousands, except percentages):

	Fiscal Years Ended January 31,				Fiscal Years Ended January 31,			
	2013	**2012**	**$ Change**	**% Change**	**2012**	**2011**	**$ Change**	**% Change**
Revenue	$ 203,437	$ 219,541	$ (16,104)	(7)%	$ 219,541	$ 214,386	$ 5,155	2%
Operating income	28,799	38,167	(9,368)	(25)%	38,167	2,912	35,255	1,211%
Percentage of revenue	14%	17%			17%	1%		
Net income (loss)	2,483	8,944	(6,461)	(72)%	8,944	(9,267)	18,211	(197)%
Percentage of revenue	1%	4%			4%	(4)%		
Operating cash flows	33,148	32,245	903	3%	32,245	46,016	(13,771)	(30)%

Revenue: In fiscal year 2013, we experienced net revenue declines primarily led by, on a percentage basis, software licenses and to a lesser extent, maintenance contracts and professional services. By region, we experienced decreases in the United States and international regions.

Operating Income: Operating income declined in 2013, compared to 2012, primarily due to lower revenue and increased restructuring and related initiatives, all partially offset by declines in variable employee compensation costs such as sales commissions and bonuses.

Net Income: Net income decreased in 2013, compared to the 2012, primarily due to lower operating income as discussed above and to a lesser extent, higher interest and related costs on our debt, all partially offset by income tax benefits.

Operating Cash Flows: Operating cash flows increased in 2013, compared to 2012, primarily due to lower income tax payments made, and improved timing of receipts from our customers offset by lower net income.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and the accompanying notes. We base our estimates and assumptions on current facts, historical experience, and various other factors that we believe are reasonable under the circumstances, to determine the carrying values of assets and liabilities that are not readily apparent from other sources. Note 2, *Significant Accounting Policies*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Report, describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. The critical accounting policies described below are significantly affected by critical accounting estimates. Such accounting policies require significant judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements and actual results could differ materially from the amounts reported based on these policies. To the extent there are material differences between our estimates and the actual results, our future consolidated results of operations may be affected.

Revenue Recognition. Our revenue is derived from software licenses, maintenance and professional services. We recognize revenue in accordance with guidance applicable to software transactions and recognize revenue when all of the following criteria are met as set forth in the guidance: (1) persuasive evidence of an arrangement exists (2) delivery or performance has occurred (3) fees are fixed or determinable and (4) collectability is probable. The majority of our sales agreements contain standard terms and conditions. However, there are instances when sales agreements contain non-standard terms and conditions. In such cases, significant contract interpretation may be required to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes, and, if so, how the price should be allocated among the elements and when to recognize revenue for each element. Changes in the allocation of the sales price between elements may impact the timing of revenue recognition but will not change the total revenue recognized on the contract.

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In multiple element arrangements, our licenses and maintenance revenue are allocated to each element based on vendor specific objective evidence, or VSOE, of its fair value represented by the price charged when the elements are sold separately. VSOE must exist for the undelivered elements to allocate the total fee among all delivered and non-essential undelivered elements of the arrangement. Since VSOE of fair value has been established for maintenance but not for software licenses, the residual method is used to allocate revenue to the license portion of multiple-element arrangements. Under the residual method, the amount recognized for fees is the difference between the total fixed or determinable amount and the VSOE of fair value for the undelivered elements under the arrangement.

VSOE for maintenance is primarily based upon customer renewal history when the services are sold separately or on renewal rates stated in the contractual arrangement. VSOE for professional services is also based upon the price charged when the services are sold separately.

If the undelivered elements of the arrangement are essential to the functionality of the software product(s), revenue is deferred until the essential elements are delivered. If VSOE does not exist for one or more non-essential undelivered elements, revenue is deferred until such evidence does exist for the undelivered elements, or until all elements are delivered, whichever is earlier, unless the undelivered elements are services in which case all revenue would be recognized over the period in which the services are expected to be performed.

Stock-based Compensation. We recognize stock-based compensation expense for all share-based payment awards such as stock options and restricted stock units based on each awards fair value on the grant date. We currently use the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based awards on the date of grant is affected by our estimate of fair value for our common stock, and for stock options, as well as assumptions regarding a number of complex and highly subjective variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates and expected dividends. Our common stock is privately held and therefore there is no public market. To assist management in determining the estimated fair value of our common stock, we engage an external valuation specialist to perform valuations as of July 31 and January 31 of each fiscal year. The valuations performed by the external valuation specialist use various assumptions which include a number of complex and subjective estimates such as expectations regarding future market growth and trends, forecasted revenue, forecasted costs and outstanding debt balance, appropriate discount rates and forecasted outstanding common shares.

The assumptions used in calculating the fair value of share-based payment awards represent management s best estimates. These estimates involve inherent uncertainties and the application of management s judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future. Additionally, we are required to estimate the expected forfeiture rate based on historical experience, as well as judgment, and recognize expense only for those awards expected to vest. If our actual forfeiture rate is materially different from our estimate, our recorded stock-based compensation expense could change.

Goodwill and Other Long-Lived Assets. Assets such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or changes in circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or asset, a significant decrease in the benefits realized from the acquired business or asset, difficulties or delays in integrating the business, or a significant change in the operations of the acquired business or use of an asset. Recoverability of long-lived assets other than goodwill is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the respective asset or asset group. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value. Significant management judgment is required in identifying

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a triggering event that arises from a change in circumstances; forecasting future operating results; and estimating the proceeds from the disposition of long-lived or intangible assets. Material impairment charges could be necessary should different conditions prevail or different judgments be made. Management concluded no triggering events occurred in fiscal year 2013, 2012 or 2011. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would be no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet.

Goodwill is tested annually for impairment in the fourth quarter of each fiscal year, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. Factors we consider important that could trigger an impairment review include, but are not limited to, significant under-performance relative to expected, historical or projected future operating results, significant changes in the manner of our use of acquired assets or the strategy for our overall business, or significant negative economic trends. An impairment loss is recognized to the extent that the carrying amount exceeds the asset s fair value. This determination is made at the reporting unit level and consists of two steps. First, we determine the fair value of a reporting unit and compare it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit s goodwill over the implied fair value of that goodwill. The Company operates under one reporting unit. In determining the fair value of the reporting unit, we utilize the valuation obtained in conjunction with our valuation of common stock as discussed in *Stock-Based Compensation* above, and the related enterprise value in that valuation. We completed this test during the fourth quarters of fiscal years 2013, 2012, and 2011, respectively. The carrying amount substantially exceeded the fair value at the time of testing. As a result, we did not record an impairment loss on goodwill in any of those fiscal years.

Significant assumptions and estimates are made when determining if our goodwill has been impaired or if there are indicators of impairment. We base our estimates on assumptions that we believe to be reasonable, but actual future results may differ from those estimates as the assumptions used by us are inherently unpredictable and uncertain. These estimates include estimates of future market growth and trends, forecasted revenue and costs, expected periods of asset utilization, appropriate discount rates and other variables.

Accounting for Income Taxes. The provision for income taxes is calculated using the asset and liability method of accounting. Under the asset and liability method, deferred tax assets and liabilities are recognized based on the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made. We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

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Recent Accounting Pronouncements

Refer to Note 2 of notes to our consolidated financial statements for a full description of recent accounting pronouncements including the expected dates of adoption and potential effects on our financial position, results of operations and cash flows.

Results of Operations

The following table summarizes software licenses, maintenance and professional services revenues for the periods indicated (in thousands, except percentages):

	Fiscal Years Ended January 31,				Fiscal Years Ended January 31,			
	2013	**2012**	**$ Change**	**% Change**	**2012**	**2011**	**$ Change**	**% Change**
Software licenses	$ 43,322	$ 54,913	$ (11,591)	(21)%	$ 54,913	$ 51,382	$ 3,531	7%
Percentage of revenue	21%	25%			25%	24%		
Maintenance	137,803	141,669	(3,866)	(3)%	141,669	143,974	(2,305)	(2)%
Percentage of revenue	68%	65%			65%	67%		
Professional services	22,312	22,959	(647)	(3)%	22,959	19,030	3,929	21%
Percentage of revenue	11%	10%			10%	9%		
Total revenue	$ 203,437	$ 219,541	$ (16,104)	(7)%	$ 219,541	$ 214,386	$ 5,155	2%

The decrease in software license revenue in 2013, compared to 2012, was due to decline in sales of our mainframe and distributed system products of approximately $6.7 million and $4.9 million, respectively. The decline in sales of our mainframe products was due, in part, to limited sales coverage and increased competition in the United States and limited sales and distribution channels in higher growth international regions. The decline in software license revenue from our distributed system products was due, in part, to an increase in turnover of sales management and sales representatives in the United States, the adverse macro-economic environment in Europe and the transition to selling our new *Serena Release Automation* product. Software license revenue increased in 2012, compared to 2011, primarily due to higher sales of our distributed products, most predominantly *Serena Release Manager* and *Serena Service Manager*. In 2012, we experienced increases in software licenses revenue in international regions, most predominantly in Europe, partially offset by declines in the United States.

Maintenance revenue declined in 2013, compared to 2012, primarily due to recent declines in total license revenues. Maintenance revenue declined in 2012, compared to 2011, primarily due to cancellation of maintenance contracts.

Professional services revenue declined in 2013, compared to 2012, primarily due to a decline in the number of consulting engagements as a result of lower software license sales. Professional services revenue increased in 2012, compared to 2011, primarily due to an increase in the number of consulting engagements as a result of higher software license revenue and an expanded professional services organization.

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Gross Profit

The following table summarizes gross profit for the periods indicated (in thousands, except percentages):

	Fiscal Years Ended January 31, 2013	2012	$ Change	% Change	Fiscal Years Ended January 31, 2012	2011	$ Change	% Change
Software licenses gross profit	$ 40,215	$ 52,281	$ (12,066)	(23)%	$ 52,281	$ 50,002	$ 2,279	5%
Percentage of software licenses revenue	93%	95%			95%	97%		
Maintenance gross profit	126,546	130,217	(3,671)	(3)%	130,217	132,429	(2,212)	(2)%
Percentage of maintenance revenue	92%	92%			92%	92%		
Professional services gross profit	723	1,316	(593)	(45)%	1,316	879	437	50%
Percentage of professional services revenue	3%	6%			6%	5%		
Amortization of technology	459	3,672	(3,213)	(88)%	3,672	33,695	(30,023)	(89)%
Percentage of total revenue	0%	2%			2%	16%		
Total gross profit	$ 167,025	$ 180,142	$ (13,117)	(7)%	$ 180,142	$ 149,615	$ 30,527	20%
Percentage of total revenue	82%	82%			82%	70%		

Software licenses gross profit as a percentage of software licenses revenue decreased in 2013, compared to 2012, and in 2012, compared to 2011, primarily due to an increase in royalties earned by a technology partner associated with our prior application release automation product.

Maintenance gross profit as a percentage of maintenance revenue was unchanged in 2013 and 2012, compared to prior years, as declines in revenue were offset with reductions in costs as a result of our effort to maintain operational efficiencies and the impact of variable compensation.

Professional services gross profit as a percentage of professional services revenue declined during 2013, compared to 2012, due to lower revenue and continued investments in our professional services capabilities, partially offset by declines in variable compensation. Professional services gross profit as a percentage of professional services revenue increased marginally in 2012, compared to 2011, due to higher revenue.

Amortization of technology decreased in 2013, compared to 2012, and 2012, compared to 2011, primarily due to certain intangible assets being fully amortized in the prior year periods partially offset by the addition of new intangibles in late 2013. We expect amortization of intangibles to increase due to the impact of a full year of expensing of the assets added in late 2013.

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Operating Expenses

The following table summarizes operating expenses for the periods indicated (in thousands, except percentages):

	Fiscal Years Ended January 31,				Fiscal Years Ended January 31,			
	2013	2012	$ Change	% Change	2012	2011	$ Change	% Change
Sales and marketing	$ 55,386	$ 61,247	$ (5,861)	(10)%	$ 61,247	$ 55,602	$ 5,645	10%
Percentage of revenue	27%	28%			28%	26%		
Research and development	27,043	26,925	118	0%	26,925	31,584	(4,659)	(15)%
Percentage of revenue	13%	12%			12%	15%		
General and administrative	14,814	14,033	781	6%	14,033	15,939	(1,906)	(12)%
Percentage of revenue	7%	6%			6%	7%		
Amortization of intangble assets	36,413	36,796	(383)	(1)%	36,796	36,813	(17)	0%
Percentage of revenue	18%	17%			17%	17%		
Restructuring, acquisition and other charges	4,570	2,974	1,596	54%	2,974	5,332	(2,358)	(44)%
Percentage of revenue	2%	1%			1%	2%		
Goodwill adjustments				0%		1,433	(1,433)	(100)%
Percentage of revenue	0%	0%			0%	1%		
Total operating expenses	$ 138,226	$ 141,975	$ (3,749)	(3)%	$ 141,975	$ 146,703	$ (4,728)	(3)%
Percentage of revenue	68%	65%			65%	69%		

Sales and marketing expenses decreased in 2013, compared to 2012, primarily due to declines in personnel-related expenses including variable compensation resulting from lower revenue partially offset by higher recruiting and staff development expenses due to increased personnel attrition. The increase in fiscal year 2012, compared to fiscal year 2011, was primarily the result of expansion of our sales and marketing organizations, and higher variable compensation costs due to the increase in revenue.

Research and development expenses increased in 2013, compared to 2012, primarily due to higher recruiting and personnel-related expenses offset by decreases in outside consulting costs. The decrease in fiscal year 2012, compared to 2011, was primarily due to cost cutting initiatives, and lower stock-based compensation expense.

General and administrative expenses increased in 2013, compared to 2012, primarily due to increase in recruiting fees, bad debts, and business taxes partially offset by decreases in personnel-related costs including variable compensation and professional service fees. The decrease in 2012, compared to 2011, primarily resulted from restructuring and other cost cutting initiatives put in place in prior year periods and a decrease in stock-based compensation cost.

Amortization of intangible assets decreased in 2013, compared to 2012, due to certain intangible assets being fully amortized in prior periods. Amortization of intangible assets for 2012 and 2011 remained relatively unchanged. We had no impairment on our intangible assets in fiscal years 2013, 2012, and 2011.

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Restructuring, acquisition and other charges consisted of the following (in thousands, except percentages):

	Fiscal Years Ended January 31,				Fiscal Years Ended January 31,			
	2013	2012	$ Change	% Change	2012	2011	$ Change	% Change
Restructuring	$ (61)	$ 163	$ (224)	(137)%	$ 163	$ 2,272	$ (2,109)	(93)%
Acquisition and Other Charges:								
Acquisitions and costs related to issuance of debt	126	115	11	10%	115	113	2	2%
Sponsor and administration fees paid to Silver Lake, a related party	1,125	1,125		0%	1,125	1,125		0%
Severance, facility and other charges not part of restructuring and not part of ongoing operations	3,380	1,571	1,809	115%	1,571	1,822	(251)	(14)%
Total restructuring, acquisition and other charges	$ 4,570	$ 2,974	$ 1,596	54%	$ 2,974	$ 5,332	$ (2,358)	(44)%
Percentage of revenue	2%	1%			1%	3%		

Restructuring, acquisition and other charges increased in 2013, compared to 2012, primarily due to increases in severance and facilities related charges. The decrease in 2012, compared to 2011, was mainly due to the absence of restructuring charges from our 2011 restructuring plan.

We had no impairment or adjustments to our goodwill in 2013 and 2012. In 2011, we corrected certain immaterial errors related to acquisition purchase accounting allocations and tax reserves that resulted in recording adjustments to goodwill of $1.4 million.

Other Income (Expense)

The following table summarizes total other income (expense) for the periods indicated (in thousands, except percentages):

	Fiscal Years Ended January 31,				Fiscal Years Ended January 31,			
	2013	2012	$ Change	% Change	2012	2011	$ Change	% Change
Interest income	$ 196	$ 168	$ 28	17%	$ 168	$ 212	$ (44)	(21)%
Interest expense	(28,895)	(26,986)	(1,909)	7%	(26,986)	(26,201)	(785)	3%
Loss on early extinguishment of debt	(1,021)		(1,021)	0%		(243)	243	(100)%
Amend and extend transaction fees	(577)	(1,487)	910	(61)%	(1,487)		(1,487)	0%
Change in fair value of derivative instrument				0%		1,616	(1,616)	(100)%
Total other expense, net	$ (30,297)	$ (28,305)	$ (1,992)	7%	$ (28,305)	$ (24,616)	$ (3,689)	15%
Percentage of revenue	(15)%	(13)%			(13)%	(11)%		

Interest income increased in 2013, compared to 2012, due to higher cash balances. Interest income decreased in 2012, compared to 2011, primarily due to lower cash balances.

In 2013 and 2011, we repurchased $32.7 million and $8.7 million of our senior subordinated notes respectively, which resulted in a loss on early extinguishment of debt of $1.0 million and $0.2 million, respectively. There were no repurchases of our senior subordinated debt in 2012. Early extinguishments of debt

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for all periods followed authorization of our Board of Directors to repurchase our senior subordinated notes. See Liquidity and Capital Resources below and Note 7 of notes to our consolidated financial statements for additional information related to our debt.

In 2013, we incurred $0.6 million of fees in connection with an amendment to extend the final maturity date of our term loans. In 2012, we incurred $1.5 million of fees in connection with an amendment to extend the final maturity date of our term loans and revolving credit facility. For additional information regarding the amended and restated senior secured credit agreements, see *Liquidity and Capital Resources Senior Secured Credit Agreement* below and Note 7 of notes to our consolidated financial statements.

In 2011, we recorded $1.6 million in income related to the changes in the fair value of our interest rate swap we had entered to hedge part of our debt. The interest rate swap expired during the same year. We have not entered into any interest rate swaps or similar derivative instruments since then.

Income Tax (Benefit) Provision

The following table summarizes total income tax (benefit) provision for the periods indicated (in thousands, except percentages):

	Fiscal Years Ended January 31,				Fiscal Years Ended January 31,			
	2013	2012	$ Change	% Change	2012	2011	$ Change	% Change
Income tax (benefit) provision	$ (3,981)	$ 918	$ (4,899)	(534%)	$ 918	$ (12,437)	$ 13,355	(107%)
Percentage of revenue	(2%)	0%			0%	(6%)		
Effective tax rate	266%	9%			9%	57%		

Our effective income tax rates for all three years differ from the federal statutory rate of 35% primarily due to the impacts of permanently reinvested foreign earnings, the domestic production deduction, research and development credits, and state taxes. During periods where we experience losses, these items will generally increase the effective income tax rate above the statutory rate, whereas they will reduce the effective income tax rate below the statutory rate during periods when we have income. See Note 11 of the notes to consolidated financial statements included elsewhere in this Report for further information regarding income taxes and their impact on our results of operations and financial position.

Liquidity and Capital Resources

The following table summarizes our cash flows for fiscal years indicated (in thousands):

	Fiscal Years Ended January 31,		
	2013	2012	2011
Cash flows provided by operating activities	$ 33,148	$ 32,245	$ 46,016
Cash flows used in investing activities	(6,381)	(3,802)	(2,788)
Cash flows used in financing activities	(38,904)	(44,456)	(41,313)

To date, we have financed our operations and met our capital requirements through cash flows from operations. Our liquidity requirements are significant, primarily due to debt service obligations. We believe that current cash and cash equivalents, and cash flows from operations will satisfy our working capital and capital expenditure requirements at least through January 31, 2014. As of January 31, 2013, we had $97.3 million in cash and cash equivalents. Approximately 26% of our cash and cash equivalents were held by foreign subsidiaries as of that date. Our intent is to permanently reinvest our earnings from foreign operations. We do not anticipate a need to repatriate dividends from foreign operations that are permanently reinvested in order to fund operations. If such funds were repatriated to the United States, we would be required to accrue and pay applicable U.S. and foreign taxes. At some point in the future, we may require additional funds for either operating or strategic purposes or to refinance our existing indebtedness and may seek to raise additional funds through public or private debt or equity financing. If we are required to seek additional financing in the future through public or private debt or equity financing, there is no assurance that this additional financing will be available or, if available, will be upon reasonable terms and not legally or structurally senior to or on parity with our existing debt obligations.

Summary of Cash Flows

During the fiscal year ended January 31, 2013, cash and cash equivalents decreased by $12.4 million. The decrease was the result of cash used in investing and financing activities of $6.4 million and $38.9 million, respectively, partially offset by cash generated from operations of $33.1 million.

Net Cash Provided by Operating Activities. Cash flow from operations increased in 2013, compared to 2012. The increase was the result of lower taxes paid and improved timing of receipts from our customers offset by lower net income. The decrease in 2012, compared to 2011, was primarily due to an increase in income taxes paid, and partially offset by improved timing of payments to our vendors.

Net Cash Used in Investing Activities. Net cash used in investing activities increased in 2013, compared to 2012, primarily due to purchases of intangible assets, mainly a technology licensing agreement, partially offset by a decrease in overall spending on capital expenditures. The increase in 2012, compared to 2011, was primarily due to an increase in spending on leasehold improvements and computer equipment.

Net Cash Used In Financing Activities. Net cash used in financing activities decreased in 2013, compared to 2012, primarily due to a net decrease in debt repurchases, partially offset by increases in debt issuance costs paid and repurchases of common shares from options exercised and restricted stock units released under our employee stock option plan. The increase in 2012, compared to 2011, was primarily due to principal repayments made on our revolving credit facility and debt issuance costs paid in connection with the amended and restated senior secured credit agreement entered in 2012.

Off-Balance Sheet Arrangements

As part of our ongoing operations, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, or SPEs, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of January 31, 2013, we are not involved in any unconsolidated SPE transactions.

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Contractual Obligations and Commitments

The following is a summary of our various contractual commitments as of January 31, 2013, including non-cancelable operating lease agreements for office space that expire between fiscal years 2014 and 2018 (in thousands):

	Payments Due by Period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**Thereafter**
Operating leases	$ 15,298	$ 3,384	$ 5,147	$ 4,204	$ 2,563
Credit facility:					
2016 Tranche B Term Loans: due March 10, 2016	117,399			117,399	
2016 Extended Term Loans: due March 10, 2016	191,101			191,101	
Senior Subordinated Notes: due March 15, 2016	101,542			101,542	
Interest payments on long-term debt (1)	77,595	24,527	48,992	4,076	
	$ 502,935	$ 27,911	$ 54,139	$ 418,322	$ 2,563

This table excludes our unrecognized tax benefits totaling $3.5 million as of January 31, 2013 since we have determined that the timing of payments with respect to these liabilities cannot be reasonably estimated.

(1) Scheduled interest payments on debt are calculated through the instrument s due date and assume no principal pay-downs or borrowings. Scheduled interest payments on debt include the 2016 Extended Term Loans due March 10, 2016 at an assumed annual rate of 4.21%, which is the rate in effect as of January 31, 2013, the 2016 Tranche B Term Loans due March 10, 2016 at an assumed annual rate of 5.00%, which is the rate in effect as of January 31, 2013, the commitment fee on the unutilized amount of the 2015 extended revolving credit facility due March 10, 2015 at an assumed annual rate of 0.375%, which is the rate in effect as of January 31, 2013, and the ten year senior subordinated notes due March 15, 2016 at the stated annual rate of 10.375%.

Senior Secured Credit Agreement

In connection with the consummation of the merger in March 2006, we entered into a senior secured credit agreement (the senior secured credit agreement or the Credit Facility) pursuant to a debt commitment we obtained from affiliates of the initial purchasers of our senior subordinated notes.

The borrower under the senior secured credit agreement initially was Spyglass Merger Corp. and immediately following completion of the merger became Serena. The senior secured credit agreement originally provided for (1) a seven-year term loan in the amount of $400.0 million, amortizing at a rate of 1.00% per year on a quarterly basis for the first six and three-quarter years after the closing date of the acquisition transactions, with the balance payable at maturity, and (2) a six-year revolving credit facility that permits loans in an aggregate amount of up to $75.0 million, which includes a letter of credit facility and a swing line facility. In addition, subject to certain terms and conditions, the senior secured credit agreement provides for one or more uncommitted incremental term loan or revolving credit facilities in an aggregate amount not to exceed $150.0 million. Proceeds of the term loan on the initial borrowing date were used to partially finance the merger, to refinance certain indebtedness of Serena and to pay fees and expenses incurred in connection with the merger. Proceeds of the revolving credit facility have been, and any incremental facilities will be, used for working capital and general corporate purposes of the borrower and its restricted subsidiaries.

On March 2, 2011, we entered into an amendment to our Credit Facility to extend the final maturity date for the repayment of a portion of outstanding term loans, extend the commitment termination date of the commitments for a portion of the revolving credit facility and provide for additional flexibility in the financial covenants under the

Credit Facility (the First Amend and Extend Transaction). As a result of the amendment, $191.1 million of the existing term loans were extended and will mature on March 10, 2016 (the 2016 Extended Term Loans), and $20.0 million of the existing revolving credit commitments were extended and will terminate on March 10, 2015 (the Extended Revolving Credit Commitments). The maturity date of the 2016 Extended Term Loans is subject to a springing maturity date that is the 180^{th} day prior to March 10, 2016 if any of the senior subordinated notes remain outstanding as of the springing maturity date. The $124.9 million of the existing term loans that were not extended (the 2013 Term Loans), and the $55.0 million of the existing revolving credit commitments that were not extended, would continue to mature on March 10, 2013 and March 10, 2012, respectively. As a result of the amendment, the interest rate margins were increased by 200 basis points for the extended facilities. In addition, the maximum total leverage ratio stepped up to 5.50x beginning with the fiscal quarter ended April 30, 2011 and through the test periods ended on July 31, 2012 and stepped down to 5.00x thereafter for both the extended facilities and non-extended facilities. After giving effect to the amendment, the aggregate principal amount outstanding under the senior secured credit agreement did not change, and the principal amount of the term loans would continue to amortize at a rate of 1.00% per year on a quarterly basis.

On April 12, 2012, we entered into an Extension Agreement and Amendment No. 1 (the Second Amend and Extend Transaction) to our Credit Facility to extend the final maturity date of the 2013 Term Loans that were not extended in the First Amend and Extend Transaction. As a result of the Second Amend and Extend Transaction, $117.4 million of the 2013 Term Loans were extended through a combination of the establishment of a new series of term loans and borrowing of incremental term loans under the Credit Facility. In connection with the Second Amend and Extend Transaction, certain holders of 2013 Term Loans that did not elect to extend their loans were repaid and replaced with new lenders, and certain holders had their holdings reallocated. We refer to the incremental term loans, which have identical terms and will be deemed for all purposes under the senior secured credit agreement to be the same class of loans, and the newly extended term loans as the 2016 Tranche B Term Loans. The 2016 Tranche B Term Loans have an applicable margin for London Interbank Offered Rate, or LIBOR, -based loans of 4.0% (or, if we exceed a specified leverage ratio, 4.25%) (which is 200 basis points higher than the interest rate under the 2013 Term Loans) and a LIBOR floor of 1.0%. The other terms and conditions of the 2016 Tranche B Term Loans are the same as those for the 2016 Extended Term Loans. After giving effect to the Second Amend and Extend Transaction and the repayment of the remaining 2013 Term Loans, all of our outstanding term loans under the Credit Facility have a final maturity date of March 10, 2016, the principal amount of all term loans will continue to amortize at a rate of 1.00% per year on a quarterly basis, and the aggregate principal amount of the term loans outstanding under the Credit Facility did not change. We paid each lender holding 2016 Tranche B Term Loans an original issuer discount equal to 1.5% of the principal amount of 2016 Tranche B Term Loans held by such lender.

As of January 31, 2013, the aggregate principal amount outstanding under our Credit Facility was $308.5 million, which consisted of $191.1 million of 2016 Extended Term Loans and $117.4 million of the 2016 Tranche B Term Loans. The 2016 Extended Term Loans bear interest at a rate equal to LIBOR plus 4.00%. That rate was 4.21% as of January 31, 2013. The 2016 Tranche B Term Loans bear interest at a rate equal to LIBOR plus 4.00% with a 1.00% LIBOR floor. That rate was 5.00% as of January 31, 2013. The Extended Revolving Credit Commitments, of which none was outstanding as of January 31, 2013, bear interest at a rate equal to three-month LIBOR plus 3.75%.

The Credit Facility bears an annual commitment fee on the undrawn portion of that facility commencing on the date of execution and delivery of the senior secured credit agreement. As a result of the cancellation of the non-extended 2012 revolving credit commitment totaling $55.0 million during the quarter ended October 31, 2011, the annual commitment fee is limited to the undrawn portion of the Extended Revolving Credit Commitments, which was $20.0 million as of January 31, 2013. Effective February 1, 2011, the annual commitment fee is 0.375% per annum.

At our option, (1) amounts outstanding under the term loan may be voluntarily prepaid and (2) the unutilized portion of the commitments under the revolving credit facility may be permanently reduced and the loans under such facility may be voluntarily repaid, in each case subject to requirements as to minimum amounts

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and multiples, at any time in whole or in part without premium or penalty, except that (i) any prepayment of LIBOR rate advances other than at the end of the applicable interest periods will be made with reimbursement for any funding losses or redeployment costs of the lenders resulting from the prepayment and (ii) our 2016 Tranche B Term Loans are subject to a prepayment premium of 1.0% if prepaid on or before April 12, 2013, and our existing term loans due March 10, 2016 are subject to a prepayment premium of 1.0% if prepaid on or before March 2, 2013. Loans under the term loan and under any incremental term loan facility are subject to mandatory prepayment with (a) 50% of annual excess cash flow with certain step downs based on the most recent total leverage ratio and agreed upon by the issuer and the lenders, (b) 100% of net cash proceeds of asset sales and other asset dispositions by the borrower or any of its restricted subsidiaries, subject to various reinvestment rights of the company and other exceptions, and (c) 100% of the net cash proceeds of the issuance or incurrence of debt by the company or any of its restricted subsidiaries, subject to various baskets and exceptions.

In the fiscal year ended January 31, 2011, we made a mandatory principal payment totaling $2 million on the term loan and a voluntary principal payment totaling $30 million on the revolving term credit facility.

In the fiscal quarter ended April 30, 2011, we made a mandatory principal payment in the amount of $7.5 million under the term loan, which was applied against the outstanding principal balance of the non-extended term loans on a pro rata basis. In the fiscal quarter ended October 31, 2011, we made voluntary principal payments on the non-extended 2012 revolving credit facility and the extended 2015 revolving credit facility totaling $25.7 million and $9.3 million, respectively.

No principal payments were made in fiscal year 2013 on the term loans or revolving term credit facility.

All of our obligations under the Credit Facility are secured by:

- a perfected lien on and pledge of (1) the capital stock and intercompany notes of each existing and future direct and indirect domestic subsidiary of the company, (2) all the intercompany notes of the company and (3) 65% of the capital stock of each existing and future direct and indirect first-tier foreign subsidiary of the company, and

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

All obligations under the senior secured credit agreement are to be guaranteed by each future direct and indirect restricted subsidiary of the company, other than foreign subsidiaries. We do not have any domestic subsidiaries and, accordingly, there are no guarantors.

The senior secured credit agreement contains customary representations and warranties and customary affirmative and negative covenants, including, among other things, restrictions on indebtedness, investments, capital expenditures, sales of assets, mergers and acquisitions, liens and dividends and other distributions. There are no financial covenants included in the senior secured credit agreement, other than a minimum interest coverage ratio and a maximum total leverage ratio as discussed below under Covenant Compliance.

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

Senior Subordinated Notes

We have outstanding $101.5 million principal amount of senior subordinated notes as of January 31, 2013, which bear interest at a rate of 10.375%, payable semi-annually on March 15 and September 15, and which mature on March 15, 2016. Each of our domestic subsidiaries that guarantees our obligations under our Credit

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Facility will jointly, severally and unconditionally guarantee the notes on an unsecured senior subordinated basis. We do not have any domestic subsidiaries and, accordingly, there are no guarantors. The notes are unsecured, senior subordinated obligations, and the guarantees, if any, will be unsecured, senior subordinated obligations of the guarantors. The notes are governed by the terms and conditions of an indenture dated as of March 10, 2006 (Indenture). The notes are subject to redemption at our option pursuant to the terms and conditions specified in the Indenture, and may be redeemed at the option of the holders at 101% of their face amount, plus accrued and unpaid interest, upon certain change of control events.

In the fiscal year ended January 31, 2011, we repurchased an aggregate of $8.7 million of principal amount of our original outstanding $200.0 million senior subordinated notes. These repurchases resulted in a loss of $0.2 million from the extinguishment of debt in the fiscal year ended January 31, 2011. During fiscal year 2013, we repurchased an aggregate of $32.7 million of senior subordinated notes for a total cost of $33.7 million, resulting in a loss on early extinguishment of $1.0 million. There were no repurchases in fiscal year 2012. We may from time to time repurchase the senior subordinated notes in open market or privately negotiated purchases or otherwise or redeem the senior subordinated notes pursuant to the terms of the Indenture.

Covenant Compliance

The Credit Facility and the Indenture contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, redeem or repurchase our capital stock or make other restricted payments;
- make investments;
- make capital expenditures;
- create certain liens;
- sell certain assets;
- enter into agreements that restrict the ability of our subsidiaries to make dividend or other payments to us;
- guarantee indebtedness;
- engage in transactions with affiliates;
- prepay, repurchase or redeem the notes;
- create or designate unrestricted subsidiaries; and

consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

We are required to satisfy and maintain specified financial ratios and other financial condition tests, including a minimum interest coverage ratio and a maximum total leverage ratio. We were in compliance with all of the covenants under the Credit Facility and Indenture as of January 31, 2013. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those ratios and tests in the future. A breach of any of these covenants would result in a default (which, if not cured, could mature into an event of default) and in certain cases an immediate event of default under the Credit Facility. Upon the occurrence of an event of default under the Credit Facility, all amounts outstanding under the Credit Facility could be declared to be (or could automatically become) immediately due and payable and all commitments to extend further credit could be terminated.

Under the Indenture, our ability to incur additional debt and make certain restricted payments, subject to specified exceptions, is tied to an Adjusted EBITDA (as defined below) to fixed charges (as defined below) ratio of at least 2.0x. We may incur certain debt and make certain restricted payments and certain permitted investments without regard to the ratio, such as our ability to incur up to an aggregate principal amount of $625.0 million under our senior secured credit agreement (subject to reduction for mandatory prepayments under our senior secured credit agreement and inclusive of amounts outstanding under our senior secured credit agreement from time to time; as of January 31, 2013, we had $308.5 million outstanding under our term loan and none outstanding under our revolving credit facility), to acquire persons engaged in a similar business that become restricted subsidiaries and to make other investments equal to the greater of $25.0 million or 2% of our consolidated assets. Fixed charges is defined in the Indenture as consolidated Interest Expense less interest income, adjusted for acquisitions, and further adjusted for non-cash interest expense.

Under the Credit Facility, we are required to maintain a rolling twelve-month consolidated Adjusted EBITDA to consolidated Interest Expense (as defined below) ratio of a minimum of 2.00x at the end of each quarter. Consolidated Interest Expense is defined in the senior secured credit agreement as consolidated cash interest expense less cash interest income and is further adjusted for certain non-cash interest expenses and other items. We are also required to maintain a rolling twelve-month consolidated Total Debt (as defined below) to consolidated Adjusted EBITDA ratio of a maximum of 5.00x at the end of each quarter beginning with the fiscal year ending January 31, 2011. Under the terms of the senior secured credit agreement, as amended and restated, the maximum total leverage ratio stepped up to 5.50x beginning with the fiscal quarter ending April 30, 2011 through the test period ended July 31, 2012 and stepped down to 5.00x thereafter. Consolidated Total Debt is defined in the senior secured credit agreement as total debt other than certain indebtedness and is reduced by the amount of cash and cash equivalents on our consolidated balance sheet in excess of $5.0 million. As of January 31, 2013, our consolidated Total Debt was $317.7 million, consisting of total debt other than certain indebtedness totaling $410.0 million, net of cash and cash equivalents in excess of $5.0 million totaling $92.3 million.

The breach of financial covenants in our Credit Facility (i.e., those that require the maintenance of ratios based on Adjusted EBITDA) would force us to seek a waiver or amendment with the lenders under our Credit Facility, and no assurance can be given that we will be able to obtain any necessary waivers or amendments on satisfactory terms, if at all. The lenders would likely condition any waiver or amendment, if given, on additional consideration from us, such as a consent fee, a higher interest rate, principal repayment or more restrictive covenants and limitations on our business. Any such breach, if not waived by the lenders, would result in an event of default under that agreement, in which case the lenders could elect to declare all amounts borrowed due and payable. Any such acceleration would also result in a default under the Indenture. Additionally, under our debt agreements, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to ratios based on Adjusted EBITDA.

Earnings before interest, taxes, depreciation and amortization (EBITDA) are a non-GAAP financial measure used to determine our compliance with certain covenants contained in our Credit Facility. Adjusted EBITDA represents EBITDA further adjusted to exclude certain defined unusual items and other adjustments permitted in calculating covenant compliance under our Credit Facility. We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors and lenders regarding our compliance with the financial covenants under our Credit Facility.

Adjusted EBITDA does not represent net income (loss) or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters that we may consider not to be indicative of our ongoing operations. In particular, the definition of Adjusted EBITDA in our Credit Facility allows us to add back certain defined non-cash, extraordinary, unusual or non-recurring charges that are deducted in calculating GAAP net income (loss). Our Credit Facility requires that Adjusted EBITDA be calculated for the most recent four fiscal quarters. As a result, Adjusted EBITDA can be disproportionately affected by a particularly strong or weak quarter and may not be comparable to Adjusted EBITDA for any subsequent four-quarter period or any complete fiscal year.

The following is a reconciliation of net (loss) income, a GAAP measure of our operating results, to Adjusted EBITDA as defined in our debt agreements (in thousands):

	Fiscal Years Ended January 31,		
	2013	**2012**	**2011**
Net income (loss) (1)	$ 2,483	$ 8,944	$ (9,267)
Non-operating expense, net (2)	30,297	28,305	24,616
Income tax (benefit) provision	(3,981)	918	(12,437)
Amortization expense (3)	36,872	40,468	70,508
Stock-based compensation	1,613	1,395	3,585
Goodwill adjustments			1,433
Deferred maintenance writedown (1)			92
Restructuring, acquisition and other charges (4)	4,570	2,974	5,332
Sub-total	71,854	83,004	83,862
Depreciation (3)	2,565	2,805	3,027
Adjusted EBITDA	$ 74,419	$ 85,809	$ 86,889

(1) Net (loss) income for fiscal year 2011 includes the deferred maintenance step-down associated with the merger in the first quarter of fiscal year 2007. This unrecognized maintenance revenue is added back in calculating Adjusted EBITDA.

(2) Non-operating expense, net includes interest income, interest expense, the change in the fair value of derivative instruments, amortization and write-off of debt issuance costs, gains and losses on early extinguishment of debt, and amend and extend transaction fees.

(3) Depreciation and amortization expense includes depreciation of fixed assets and amortization of intangibles.

(4) Restructuring, acquisition and other charges include charges related to restructuring plans; acquisitions-related costs; and other charges including sponsor and administration fees, costs related to issuance of debt, and severance, facility and other charges that are not part of restructuring and not part of ongoing operations. See Note 8 of notes to our consolidated financial statements for additional information related to acquisition-related and restructuring charges.

Our covenant requirements and ratios for the fiscal year ended January 31, 2013 are as follows:

	Covenant requirement	**Serena ratio**
The Credit Facility (1)		
Minimum Adjusted EBITDA to consolidated interest expense ratio	2.00x	2.58
Maximum consolidated debt to Adjusted EBITDA ratio	5.00x	4.27
Senior subordinated notes (2)		
Minimum Adjusted EBITDA to fixed charges ratio required to incur additional debt pursuant to ratio provisions	2.00x	2.53

(1) The Credit Facility requires us to maintain a rolling four fiscal quarters consolidated Adjusted EBITDA to consolidated interest expense ratio of a minimum of 2.00x. Consolidated interest expense is defined in the senior secured credit agreement as consolidated cash interest expense less cash interest income and is further adjusted for certain non-cash interest expenses and other items. We are also required to maintain a rolling four fiscal quarters consolidated total debt to consolidated Adjusted EBITDA ratio of a maximum of 5.00x. Under the terms of the amended and restated senior secured credit agreement, the maximum total leverage ratio stepped up to 5.50x through the test period ended July 31, 2012 and stepped down to 5.00x thereafter. Consolidated total debt is defined in the senior secured credit agreement as total debt other than

certain indebtedness and is reduced by the amount of cash and cash equivalents on our consolidated balance sheet in excess of $5.0 million. As of January 31, 2013, our consolidated total debt as defined was $317.7 million, consisting of total debt other than certain indebtedness totaling $410.0 million, net of cash and cash equivalents in excess of $5.0 million totaling $92.3 million. Failure to satisfy these ratio requirements would constitute a default under the senior secured credit agreement. If our lenders fail to waive any such default, our repayment obligations under the senior secured credit agreement could be accelerated, which would also constitute a default under the Indenture.

(2) Our ability to incur additional debt and make certain restricted payments under the Indenture, subject to specified exceptions, is tied to an Adjusted EBITDA to fixed charges ratio of at least 2.0x, except that we may incur certain debt and make certain restricted payments and certain permitted investments without regard to the ratio, such as our ability to incur up to an aggregate principal amount of $533.5 million under our senior secured credit agreement (which amount represents the total amount of borrowings originally committed or available under our senior secured credit agreement less $91.5 million of principal prepayments), to acquire persons engaged in a similar business that become restricted subsidiaries and to make other investments equal to the greater of $25.0 million or 2% of our consolidated assets. Fixed charges is defined in the Indenture as consolidated interest expense less interest income, adjusted for acquisitions, and further adjusted for non-cash interest expense.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We do not use derivative financial instruments in our investment portfolio and have no foreign exchange contracts. Our financial instruments consist of cash and cash equivalents, trade accounts receivable, accounts payable, term loan and secured indebtedness. We consider investments in highly liquid instruments purchased with an original maturity of 90 days or less to be cash equivalents. All of our cash equivalents principally consist of money market funds, and are classified as available-for-sale as of January 31, 2013. We are subject to interest rate risk on the variable interest rate of the secured term loans. Effective with the expiration of our interest rate swap contract on April 10, 2010, no portion of our variable interest rate secured term loans is hedged and management currently does not intend to enter into any swap contract to hedge any portion of the variable interest rate secured term loans. We do not believe that a hypothetical 25% fluctuation in the variable interest rate would have a material impact on our consolidated financial position or results of operations.

Interest Rate Risk

Historically, our exposure to market risk for changes in interest rates primarily relates to our long-term debt obligations.

As of January 31, 2013, we had $308.5 million of debt under our Credit Facility. A 1% increase in these floating rates would increase annual interest expense by $3.1 million.

Under our senior secured credit agreement entered into in fiscal year 2007, we were required to fix the interest rate of at least 50% of the aggregate principal amount of indebtedness under our term loan through swaps, caps, collars, future or option contracts or similar agreements, and maintain the interest rate protection for a minimum of two years. During the same year, we entered into an interest rate swap transaction to effectively convert the variable interest rate on a portion of the $400.0 million senior secured term loan to a fixed rate. The swap was not designated as an accounting hedge and, accordingly, changes in the fair value of the derivative were recognized in the consolidated financial statements in fiscal year 2011. The swap expired on in April 2010 and we have not entered into any similar interest rate swaps as of fiscal year 2011 and do not expect to enter into a similar interest rate swap in the future.

Foreign Exchange Risk

Sales to foreign countries accounted for approximately 35%, 36% and 32% of the total sales in the fiscal years ended January 31, 2013, 2012 and 2011, respectively. As we invoice certain foreign sales in currencies

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other than the United States dollar, predominantly the British Pound and the Euro, and do not hedge these transactions, fluctuations in exchange rates could adversely affect the translated results of operations of our foreign subsidiaries. If the U.S. dollar strengthens against foreign currencies, our future net revenues could be adversely affected. Therefore, foreign exchange fluctuations could create a risk of significant balance sheet gains or losses on our consolidated financial statements. If overall foreign currency exchange rates in comparison to the U.S. Dollar uniformly change by 10%, the amount of cash and cash equivalents we would report in U.S. Dollar as of January 31, 2013 would change by less than 3%, assuming constant foreign currency cash and cash equivalents.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENTS

Our financial statements required by this item are submitted as a separate section of this Form 10-K. See Item 15(a)1 for a listing of financial statements provided in the section titled, Index to Consolidated Financial Statements.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, with the assistance of senior management personnel, have conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended (Exchange Act)) as of January 31, 2013. We perform this evaluation on a quarterly basis so that the conclusions concerning the effectiveness of our disclosure controls and procedures can be reported in our annual and quarterly reports filed under the Exchange Act. Based on this evaluation, and subject to the limitations described below, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of January 31, 2013.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 15d-15(f) of the Exchange Act) for our company. Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 31, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, and subject to the limitations described below, management has concluded that our internal control over financial reporting was effective as of January 31, 2013.

This annual report does not include an attestation report of the company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the company s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the company to provide only management s report in this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended January 31, 2013 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and the Chief Financial Officer, does not expect that our disclosure controls and procedures or internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system reflects resource constraints, and the benefits of controls must be considered relative to their costs. Because there are inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of error or fraud, if any, have been or will be detected.

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our executive officers and directors are as follows:

Name	Age	Position	Director Since
Executive Officers:			
Greg Hughes	50	President, Chief Executive Officer and Director	2012
Joseph Passarello.	51	Senior Vice President, Finance and Chief Financial Officer	
Kevin Biggs.	54	Senior Vice President, Worldwide Sales and Professional Services	
David Hurwitz	52	Senior Vice President, Worldwide Marketing	
Ali Kheirolomoom	48	Senior Vice President, Products	
Edward Malysz	53	Senior Vice President, General Counsel and Secretary	
Non-Executive Directors:			
Todd Morgenfeld	41	Chairman of the Board of Directors	2009
L. Dale Crandall	71	Director	2007
Timothy Davenport	57	Director	2008
Elizabeth Hackenson	52	Director	2006
Douglas D. Troxel	68	Director	1980

Executive Officers

Greg Hughes has served as our President and Chief Executive Officer since January 2013 and as a director since February 2012. Mr. Hughes is a Director of Silver Lake, a private equity firm, which, together with its affiliates, owns 66.7 percent of the outstanding shares of common stock of Serena. Prior to joining Silver Lake in March 2011, Mr. Hughes served in various executive management roles at Symantec Corporation from July 2005 to June 2010, including Group President, Enterprise Product Group; Chief Strategy Officer; Group President, Global Services; and Executive Vice President, Services and Support. Prior to Symantec, Mr. Hughes served as Executive Vice President, Global Services of VERITAS Software Corporation from October 2003 to July 2005. Mr. Hughes joined VERITAS after a 10-year career at McKinsey & Co., a global management consulting service provider. Mr. Hughes is also a member of the board of directors of LogMeIn, Inc.

Joseph Passarello has served as our Senior Vice President, Finance and Chief Financial Officer since May 2012. From April 2008 to May 2012, Mr. Passarello served as Chief Financial Officer of Aptina Imaging, an image sensor company. From July 2007 to March 2008, Mr. Passarello served as Chief Financial Officer at AMI Semiconductor, a semiconductor company. From May 2005 to June 2007, Mr. Passarello served as Vice President of Finance and Chief Financial Officer at Therma-Wave, Inc., a semiconductor capital equipment company. Prior to May 2005, Mr. Passarello held various senior financial management and controllership positions at JDS Uniphase, ASM Lithography, Silicon Valley Group, Verilink Corporation and Hitachi Data Systems, and was a certified public accountant with Deloitte & Touche.

David Hurwitz has served as our Senior Vice President, Worldwide Marketing since February 2010. From August 2005 until January 2010, Mr. Hurwitz served in a variety of senior marketing roles at CA, Inc., an information technology management software company, most recently as Vice President of Corporate Messaging and Solutions Marketing. From February 2003 until August 2005, Mr. Hurwitz served as Chief Marketing Officer of Niku Corporation, a project and portfolio management software company. From February 2001 until December 2002, Mr. Hurwitz served as Vice President, Marketing and Strategy at Perfect Commerce, Inc., an enterprise application software company. From March 2000 until February 2001, Mr. Hurwitz served as Interim Vice President of Marketing at Global Factory, Inc., a manufacturing operations management software company.

Mr. Hurwitz previously founded ConsenSys Software Corporation, a product lifecycle management company, and served as a software development engineer at ASK Computer Systems, a manufacturing management software company.

Ali Kheirolomoom has served as our Senior Vice President, Products since November 2012. From March 2005 to November 2012, Mr. Kheirolomoom served as our Vice President of Product Development for *Serena Business Manager* and *Serena Service Manager*. From February 2003 to March 2005, Mr. Kheirolomoom was Co-Founder and Vice President, Development and Chief Technology Officer of Apptero, Inc., a business application planning and prototyping software company. From May 1999 to January 2003, Mr. Kheirolomoom was Co-Founder and Chief Technology Officer of Avinon, Inc., a web services technology software company. Mr. Kheirolomoom has also held senior product management and marketing roles at Mosaix, Inc. and ViewStar Corporation.

Edward Malysz has served as our Senior Vice President and General Counsel since April 2006. Mr. Malysz served as Vice President, Legal of Symantec Corporation, a security and storage software company, from July 2005 to April 2006. From April 2002 to July 2005, Mr. Malysz served in various legal roles at VERITAS Software Corporation, a storage software company, including Vice President, Corporate Legal Services. From June 1999 through October 2001, Mr. Malysz served in a variety of roles with E-Stamp Corporation, an Internet postage provider, including Vice President, General Counsel, Secretary and Acting Chief Financial Officer. From July 1993 to June 1999, Mr. Malysz held various legal positions with Silicon Graphics, Inc., a computer manufacturer. Prior to July 1993, Mr. Malysz was a transactional lawyer and a certified public accountant.

Non-Executive Directors

Todd Morgenfeld is a Director of Silver Lake, a private equity firm, and has served as a director since February 2009. Prior to joining Silver Lake in May 2004, Mr. Morgenfeld was an investment banker in the Technology, Media and Telecommunications Group at Goldman, Sachs & Co. From May 1994 to May 1999, Mr. Morgenfeld served as an armor officer in the U.S. Army.

L. Dale Crandall is the founder and president of Piedmont Corporate Advisors, Inc., a private financial consulting firm, and has served as a director since November 2007. Mr. Crandall retired from Kaiser Health Plan and Hospitals in 2002 after serving as the President and Chief Operating Officer from 2000 to 2002 and Senior Vice President and Chief Financial Officer from 1998 to 2000, and served as a member of the board of directors from 1998 until his retirement in 2002. From 1995 to 1998, Mr. Crandall was employed by APL Limited, a global ocean transportation company, where he held the positions of Executive Vice President, Chief Financial Officer and Treasurer. From 1963 to 1995, Mr. Crandall was employed by Price Waterhouse, LLP, most recently as Southern California Group Managing Partner. Mr. Crandall is also a member of the boards of directors of Ansell Ltd., Bridgepoint Education, Coventry Health Care, Inc. and UnionBanCal Corporation, and is a trustee for Dodge & Cox Mutual Funds. During the past five years, Mr. Crandall also served as a member of the boards of directors of BEA Systems, Inc., Covad Communications, Inc. and Metavante Technologies, Inc.

Timothy Davenport served as the Chief Executive Officer of Sermo, Inc., an online community exclusive to physicians, from January 2012 to November 2012, and has served as a director since August 2008. From October 2009 to May 2011, Mr. Davenport served as President and Chief Executive Officer of Parature, Inc., an on-demand customer service software provider. From August 2007 through October 2008, Mr. Davenport served as president of Revolution Health Networks, an online provider of consumer-centric health care services. Prior to joining Revolution Health Networks, Mr. Davenport served as Chief Executive Officer of Vastera Inc., a provider of international trade logistics software, from November 2003 to June 2005, and Chief Executive Officer of Best Software Inc., a provider of corporate resource management software solutions, from June 1995 to February 2000.

Elizabeth Hackenson is the Senior Vice President and Chief Information Officer for AES Corporation, a global power company, and has served as a director since August 2006. Prior to joining AES in October 2008,

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Ms. Hackenson held the position of Senior Vice President and Chief Information Officer for Alcatel Lucent, a telecommunications company. Prior to joining Alcatel Lucent in December 2006, Ms. Hackenson served as Senior Vice President and Chief Information Officer for Lucent Technologies, a telecommunications company, since April 2006. From 2001 to 2006, Ms. Hackenson served in various management positions at MCI, a telecommunications company, including Executive Vice President and Chief Information Officer. From 1997 to 2001, Ms. Hackenson served in various management positions with UUNET Technologies, an Internet service and technology provider. Prior to 1997, Ms. Hackenson served in various management positions with Concert Communications, EDS, Computech, TRW and Grumman & Sperry.

Douglas D. Troxel is the founder of Serena and has served as a director since April 1980. He has also served as our Chief Technology Officer from April 1997 until the completion of the merger in March 2006. From June 1980 to April 1997, Mr. Troxel served as our President and Chief Executive Officer. Mr. Troxel served as chairman of our board of directors from April 1980 until the completion of the merger in March 2006. Mr. Troxel continues to serve as an employee of the company for purposes of providing technical services related to the development and support of our mainframe software products.

Board Composition and Governance

The composition of our board of directors is established by the terms of a stockholders agreement entered into by Spyglass Merger Corp., Silver Lake and certain investors affiliated with Silver Lake, referred to as the Silver Lake investors, and Mr. Troxel and certain investors affiliated with Mr. Troxel, referred to as the Troxel investors. Among other things, the stockholders agreement provides that, prior to any change of control event or initial public offering, our board of directors will be composed of the following persons:

- our Chief Executive Officer;
- Douglas D. Troxel and one other board member designated by the Troxel investors, who is currently Ms. Hackenson; and
- the remaining board members designated by affiliates of Silver Lake, who are currently Messrs. Morgenfeld, Crandall, Davenport and Hughes.

Mr. Morgenfeld serves as chairman of the board and presides over each meeting of the board of directors. We believe that the separation of the roles of chairman of the board and principal executive officer are appropriate for our company because of our ownership structure. We have established four committees of the board of directors, consisting of an audit committee, a compensation committee, a nominating committee and a strategic and operations committee. Our audit committee is comprised of Messrs. Crandall (chairperson), Davenport and Morgenfeld. Our compensation committee is comprised of Messrs. Morgenfeld (chairperson) and Troxel. Our nominating committee is comprised of Messrs. Troxel (chairperson) and Morgenfeld and Ms. Hackenson. Our strategic and operations committee is comprised of Ms. Hackenson (chairperson) and Messrs. Davenport and Hughes.

Our board of directors has determined that Messrs. Crandall and Davenport and Ms. Hackenson qualify as independent directors within the meaning of Nasdaq Marketplace Rule 5605(a).

Our board of directors has determined that Mr. Crandall qualifies as an audit committee financial expert within the meaning of Item 407(d)(5) of Regulation S-K. For information regarding the relevant experience of Mr. Crandall, see *Non-Executive Directors* above. Our board of directors has also determined that Mr. Crandall qualifies as an independent audit committee member within the meaning of Rule 10A-3 of the Securities Exchange Act of 1934 and Nasdaq Marketplace Rule 5605(c). Mr. Davenport is not an independent audit committee member because he earned a consulting fee of $25,000 for providing advisory services to us during the fourth quarter of fiscal year 2013. Mr. Morgenfeld is not an independent audit committee member because of his affiliation with the Silver Lake investors, which hold a 66.7% equity interest in our company. Since we do not have a class of securities listed on any national securities exchange, we are not required to maintain an audit committee composed entirely of independent directors within the meaning of such rules.

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In accordance with the charter of our nominating committee, to the extent consistent with the stockholders agreement, our nominating committee will identify, recommend and recruit qualified candidates to fill new positions on the board of directors and will conduct the appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates. In February 2012, Mr. Hughes was elected to serve as a director in accordance with the terms of the stockholders agreement.

Our directors possess high ethical standards, act with integrity and honesty and exercise sound business judgment, and each of our directors is committed to employing his or her skills and abilities in the best interests of our stockholders. The directors designated by the Silver Lake investors possess significant experience in owning and overseeing companies similar to our company and are familiar with corporate finance, strategic and operational business planning and matters consistent with the long-term interests of our stockholders.

Our board of directors is responsible for overseeing material risks associated with our company, and exercises these responsibilities periodically as part of its meetings and through its committees. In addition, the consideration of risk is inherent in the board of directors review of our long-term strategies and other matters presented to the board of directors, including acquisitions and financial matters. The role of the board of directors in risk oversight is consistent with our leadership structure, with our President and Chief Executive Officer and other senior management personnel having responsibility for assessing and managing risks on a day-to-day basis, and the board of directors and its committees providing general oversight in connection with these efforts.

We have adopted a Financial Code of Ethics that is applicable to our chief executive officer, chief financial officer, principal accounting officer (who is currently also our chief financial officer) and other senior officers of our finance department. We have filed a copy of our Financial Code of Ethics as Exhibit 14.1 to this Annual Report on Form 10-K. A free copy of our Financial Code of Ethics may be obtained from our Investor Relations website located at *www.serena.com* or by directing a written request to Serena Software, Inc., 1850 Gateway Drive, 4th Floor, San Mateo, California 94404, Attn: General Counsel and Secretary.

Director Compensation

In December 2012, our board of directors amended our cash and equity compensation program for directors who qualify as independent directors within the meaning of Nasdaq Marketplace Rule 5605(a). The cash compensation component of the current program consists of an annual retainer of $50,000 for each independent director; annual retainers of $10,000 for the chairperson of the audit committee (if independent) and $5,000 for each chairperson of the other committees of the board of directors who is independent; and annual retainers of $5,000 for each other member of the audit committee and $2,500 for each other member of the other committees of the board of directors who is independent, payable in equal installments on a quarterly basis. The equity compensation component of the program consists of an initial stock option grant to acquire 40,000 shares of our common stock under our Stock Incentive Plan, with an exercise price equal to the fair market value of the common stock on the date of grant and vesting over a three year period. In addition, the equity compensation component of the program consists of an annual stock option grant to acquire 15,000 shares of common stock, with an exercise price equal to the fair market value of the common stock on the date of grant and vesting on the first anniversary of the date of grant, and an award of 10,000 restricted stock units under our Stock Incentive Plan, with vesting in full on the third anniversary of the date of award. The independent director compensation program existing prior to December 2012 was similar to the program described above, except that the program included an annual retainer of $45,000 and an initial award of 25,000 restricted stock units and did not include an annual award of 10,000 restricted stock units. For a description of the Stock Incentive Plan and the type and terms of the equity awards under the plan, see Item 11, *Executive Compensation Employment Agreements and Compensation Arrangements Stock Incentive Plan* below.

We compensate Mr. Troxel for technical services that he occasionally provides to us in connection with the development and support of our mainframe software products. Mr. Troxel is paid $25,000 per year for these services. Mr. Troxel also receives certain employee benefits, such as health care coverage and participation in

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our 401(k) plan, and reimbursement of premiums associated with a separate life insurance policy. In addition, Mr. Davenport earned a consulting fee of $25,000 for providing advisory services to us during the fourth quarter of fiscal year 2013.

The compensation for our directors for fiscal year 2013 is shown in the table in Item 11, *Executive Compensation Director Compensation.*

ITEM 11. EXECUTIVE COMPENSATION

2013 Summary Compensation Table

The following table provides information concerning all plan and non-plan compensation earned by our chief executive officer (principal executive officer), our former chief executive officer and each of our two other most highly compensated executive officers during the fiscal year ended January 31, 2013, who we refer to as our Named Executive Officers:

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($) (1)	Stock Awards (2) ($)	Option Awards (3) ($)	Non-Equity Incentive Plan Compen-sation (4) ($)	All Other Compen-sation (5) ($)	Total ($)
Executive Officers:								
Greg Hughes (6)	2013							
President and Chief Executive Officer								
Joseph Passarello (7)	2013	$ 230,394	$ 64,760	$ 372,000	$ 459,958		$ 1,933	$ 1,129,045
Senior Vice President, Finance and Chief Financial Officer								
Ali Kheirolomoom (8)	2013	$ 257,292		$ 139,200	$ 177,853	$ 71,606	$ 5,059	$ 651,010
Senior Vice President, Products								
Former Executive Officer:								
John Nugent (9)	2013	$ 534,574		$ 174,000	$ 818,406		$ 162,766	$ 1,689,746
Former President and Chief Executive Officer	2012	$ 550,000				$ 407,000	$ 3,196	$ 960,196

(1) Amount includes a discretionary annual bonus paid to Mr. Passarello.
(2) Amounts reflect the aggregate grant date fair value of restricted stock units computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 9 to our Consolidated Financial Statements for the year ended January 31, 2013.
(3) Amounts reflect the aggregate grant date fair value for stock option grants and incremental fair value of stock option modifications computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note to our Consolidated Financial Statements for the year ended January 31, 2013.
(4) Amounts reflect cash awards earned under our annual executive incentive plans for fiscal years 2013 and 2012.
(5) Amounts include supplemental life insurance premiums and matching 401(k) plan contributions.
(6) Mr. Hughes was appointed as President and Chief Executive Officer effective as of January 10, 2013. Mr. Hughes remains an employee of Silver Lake and is compensated by Silver Lake while acting as an executive officer of the company. Mr. Hughes has received no compensation from us for his services.
(7) Mr. Passarello was appointed as Senior Vice President, Finance and Chief Financial Officer effective as of May 8, 2012.
(8) Mr. Kheirolomoom was appointed as Senior Vice President, Products effective as of November 15, 2012.
(9) Mr. Nugent s employment with the company terminated as of January 10, 2013. The amount set forth in All Other Compensation includes, in addition to supplemental life insurance premiums and matching 401(k) contributions, severance and restrictive covenant payments of $154,687 paid to Mr. Nugent through January 31, 2013. For additional information regarding our severance and release agreement with Mr. Nugent, see *Employment Agreements and Compensation Arrangements Severance Agreement with our Former President and Chief Executive Officer*.

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2012 Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information regarding each unexercised stock option held by our Named Executive Officers as of January 31, 2013:

		Option Awards				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Executive Officers:									
Greg Hughes									
Joseph Passarello	5/30/2012 (1)		450,000	$ 3.72	5/30/2022				
	5/30/2012 (2)	66,664	233,336	$ 3.72	5/30/2012				
	5/30/2012 (3)							100,000	$ 250,000
Ali Kheirolomoom	3/8/2005 (4)	3,733		$ 1.25	3/18/2015				
	10/20/2009 (1)	19,284	115,716	$ 3.00	10/20/2019				
	10/20/2009 (2)	85,000		$ 3.00	2/24/2021				
	2/24/2011 (1)		15,000	$ 3.58	2/24/2021				
	2/24/2011 (2)	6,388	3,612	$ 3.58	2/24/2021				
	10/10/2012 (2)		40,000	$ 3.48	10/10/2022				
	10/10/2012 (3)							10,000	$ 25,000
	12/3/2012 (1)		50,000	$ 3.48	12/3/2022				
	12/3/2012 (2)		50,000	$ 3.48	12/3/2022				
	12/3/2012 (3)							30,000	$ 75,000
Former Executive Officer:									
John Nugent (5)	11/15/2009 (1)	232,131	1,392,869	$ 3.00	11/15/2019				
	11/15/2009 (2)	875,000		$ 3.00	11/15/2019				

(1) Performance-based stock options vest upon the achievement of annual EBITA (earnings before interest, taxes and amortization) targets, generally over a period of three fiscal years. Performance-based stock options granted in fiscal year 2010 include an EBITA target for the second half of fiscal year 2010 in addition to annual EBITA targets for three subsequent fiscal years. All outstanding performance-based stock options that were granted prior to fiscal year 2013 and failed to vest in prior fiscal years were amended to provide for catch-up vesting upon the achievement of annual EBITA targets for fiscal years 2014 and 2015, as applicable, and revise the EBITA targets for fiscal years 2013, 2014 and 2015, as applicable. For a description of performance-based stock options, see *Employment Agreements and Compensation Arrangements Stock Incentive Plan.*

(2) Time-based stock options vest over three years with 1/6th vesting on the six-month anniversary of date of grant and 1/36th vesting each month thereafter. For a description of time-based stock options, see *Employment Agreements and Compensation Arrangements Stock Incentive Plan.*

(3) Restricted stock units fully vest on the 3rd anniversary of the date of grant, subject to continued employment with the company. The market value of shares of restricted stock units is based on the fair market value of the company s common stock of $2.50 per share as of January 31, 2013. For a description of restricted stock units, see *Employment Agreements and Compensation Arrangements Stock Incentive Plan.*

(4) Rollover stock options were fully vested as of March 10, 2006 in connection with our merger with an affiliate of Silver Lake. Rollover stock options represent stock options of the company existing immediately prior to the merger which were converted into stock options to acquire common stock of the company immediately following the merger. For a description of rollover stock options, see *Employment Agreements and Compensation Arrangements Rollover Stock Options.*

(5) Mr. Nugent s outstanding stock options will be automatically cancelled to the extent he fails to exercise the stock options by April 10, 2013.

Employment Agreements and Compensation Arrangements

Offer Letter with our Senior Vice President, Finance and Chief Financial Officer

We entered into an offer letter with Mr. Passarello, our Senior Vice President, Finance and Chief Financial Officer, on April 16, 2012. The employment offer provides for an annual base salary of $315,000 to be paid on a semimonthly basis. Mr. Passarello will be eligible to receive an annual cash incentive bonus equal to 70% of his base salary based on 100% achievement of our annual targets for net license revenue and EBITA pursuant to the terms of our FY13 Executive Annual Incentive Plan. On May 30, 2012, in accordance with the terms of his offer letter, Mr. Passarello was granted an option to purchase 750,000 shares of Serena s common stock under the Stock Incentive Plan, of which 60% was comprised of a performance-based option and 40% was comprised of a time-based option having an exercise price of $3.72 per share, which was equal to the fair market value of our common stock on the date of grant, and 100,000 restricted stock units under the Stock Incentive Plan. The time-based stock options will vest as follows: 1/6th on the six-month anniversary of the date of grant and 1/36th each month thereafter. Vesting of the performance-based option will be based on the achievement of annual EBITA targets over fiscal years 2013 through 2015. In accordance with the terms of his offer letter, we entered into a change of control agreement with Mr. Passarello, which is described under *Change of Control Agreements* below. The vesting of all stock options and restricted stock units awarded to Mr. Passarello will be governed by the terms of our standard stock option and restricted stock unit agreements and Stock Incentive Plan, except that the restricted stock units awarded to Mr. Passarello will automatically vest upon a change of control. For a description of change of control arrangements related to stock options and restricted stock units, see *Stock Incentive Plan* below.

Severance Agreement with our Former President and Chief Executive Officer

On January 10, 2013, Mr. John Nugent resigned from his positions as our President and Chief Executive Officer and as a member of our board of directors. In connection with the termination of Mr. Nugent s employment with us, we entered into a separation agreement providing for the payment of severance and the provision of certain benefits to Mr. Nugent in exchange for a general release of claims and compliance with certain restrictive covenants. The separation agreement provides for severance benefits consisting of a payment equal to 25% of Mr. Nugent s base salary, payable on the most recent practicable date following the effectiveness of his separation and release agreement, and COBRA continuation of Mr. Nugent s existing health coverage for a period of twelve months at no cost to Mr. Nugent. The separation agreement also provides for the payment of restrictive covenant payments that are conditioned upon Mr. Nugent s compliance with no-hire and non-competition covenants. The restrictive covenant payments consist of the continuation of 75% of Mr. Nugent s base salary for a period of twelve months following the termination of his employment, payable in equal installments over such period in accordance with Serena s customary payroll practices. Mr. Nugent executed a general release of all claims in favor of Serena and its affiliates and agreed to comply with certain restrictive covenants, including confidentiality and non-disparagement covenants of unlimited duration, and no-hire and non-competition covenants limited to the duration of the restrictive covenant payments. Mr. Nugent s vested stock options under the Stock Incentive Plan will remain exercisable for a period of three months following the termination of his employment.

FY 2013 Executive Annual Incentive Plan

Each of our Named Executive Officers was eligible to participate in our annual cash incentive plan for fiscal year 2013 and earn a bonus based on the achievement of pre-established performance metrics. The annual target bonuses for our Named Executive Officers were as follows: for our former President and Chief Executive Officer, 100% of his annual base salary; for our Senior Vice President, Finance and Chief Financial Officer, 70% of his annual base salary; and for our Senior Vice President, Products, 50% of his annual base salary. The actual bonus amounts were subject to achievement of the following performance metrics: for our former President and Chief Executive Officer and our Senior Vice President, Finance and Chief Financial Officer, achievement of our annual net license revenue and EBITA targets for fiscal year 2013, weighted equally; for our Senior Vice President, Products, achievement of our semi-annual and annual net license revenue and EBITA targets for fiscal year 2013 and management objectives, weighted at 30%, 50% and 20%, respectively. Each Named Executive Officer could earn more than the full amount of his target bonus applicable to net license revenue and EBITA if corporate performance exceeded 100% of the applicable annual performance target, and could earn less than the full amount if 100% of the applicable annual performance target was not achieved. For our former President and Chief Executive Officer and our Senior Vice President, Finance and Chief Financial Officer, bonus payments applicable to net license revenue and EBITA were capped at 200% of the applicable target bonus amounts. For our Senior Vice President, Products, bonus payments applicable to net license revenue and EBITA were capped at 162.5% of the applicable target bonus amounts, and the bonus payment applicable to management objectives was capped at 100% of the applicable target bonus amount. Bonuses for our former President and Chief Executive Officer and our Senior Vice President, Finance and Chief Financial Officer were payable on an annual basis, and the bonus for our Senior Vice President, Products was payable on a semi-annual basis. Each Named Executive Officer must remain employed with us on date the bonus is actually paid in order to receive a bonus.

For fiscal year 2013, we failed to achieve the minimum achievement levels of net license revenue and EBITA required for the payment of the applicable bonus amounts to our Named Executive Officers, other than our Senior Vice President, Products. Our Senior Vice President, Products was entitled to receive 60.5% of his bonus amount applicable to the achievement of EBITA, no bonus applicable to the achievement of net license revenue and 100% of his bonus amount applicable to the achievement of management objectives. In March 2013, our compensation committee approved a discretionary bonus for our Senior Vice President, Finance and Chief Financial Officer, to increase his annual bonus payment to 40% of his annual target bonus. Our former President and Chief Executive Officer was not entitled to receive any portion of his target bonus for fiscal year 2013 as a result of the termination of his employment prior to the end of the fiscal year.

Stock Incentive Plan

Our Amended and Restated 2006 Stock Incentive Plan (the Stock Incentive Plan), which was adopted by our board of directors in March 2006 and amended and restated in September 2009, governs the grant of stock options, restricted stock units and other equity-based awards to our officers, directors, employees and other service providers. Stock options granted under the Stock Incentive Plan include time-based stock options that generally vest and become exercisable over a three-year period, with 1/6th of the shares vesting on the six-month anniversary of the date of grant and 1/36th each month thereafter, and performance-based stock options that generally vest and become exercisable based on the achievement of annual EBITA targets over a period of three fiscal years. Restricted stock units awarded under the Stock Incentive Plan generally vest in full on the third anniversary of the date of award. Pursuant to the terms of the Stock Incentive Plan and applicable stock option or restricted stock agreements, all unvested time-based stock options will vest in full upon a change of control, all unvested performance-based stock options and restricted stock units will partially or fully vest based on the achievement of financial targets associated with a change of control or initial public offering, and all unvested performance-based stock options and restricted stock units will vest in full if the holder is terminated without cause or resigns for good reason within twelve months following a change of control. All stock options granted under the Stock Incentive Plan have a term of ten years from the date of grant.

On October 10, 2012, our compensation committee approved an amendment to all existing performance-based stock options for purposes of establishing revised annual EBITA targets under existing performance-based stock options; providing for partial, full or accelerated vesting of annual vesting tranches under all performance-based stock options based on the level of achievement of the revised annual performance targets; providing for future vesting of unvested performance-based stock options that previously failed to vest based on the level of achievement of the revised annual performance targets for future fiscal years; and providing for partial or full acceleration of vesting based on the achievement of financial targets associated with a change of control or initial public offering. In addition, our compensation committee approved an amendment to all existing restricted stock unit agreements for purposes of modifying accelerated vesting targets and associated vesting of existing restricted stock units based on the achievement of financial targets associated with a change of control or initial public offering; and providing for full acceleration if the holder is terminated without cause or resigns for good reason within twelve months following a change of control of Serena.

All grants of stock options under our Stock Incentive Plan have had exercise prices equal to the fair market value of our common stock on the date of grant. Because the company is a privately-held company and there is no market for our common stock, the fair market value of our common stock is determined by our board of

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directors based on available information that is material to the value of our common stock. We obtain an independent valuation from an external valuation specialist for our common stock on an annual basis and update the independent valuation on a semi-annual basis.

Our compensation committee approves stock option grants and any restricted stock unit awards at either a regularly scheduled compensation committee meeting or by a unanimous written consent signed or electronically approved by all of the members of our compensation committee. All stock options are granted as of the date of the meeting or upon execution of the unanimous written consent. We generally will grant stock options and award restricted stock units on a quarterly basis.

Rollover Stock Options

In connection with our merger with an affiliate of Silver Lake in March 2006, various management participants were permitted to elect to continue some or all of their stock options that were held immediately prior to the merger and had an exercise price of less than $24.00 per share. The number of shares subject to these rollover stock options was adjusted to be the number of shares equal to the product of (i) the difference between $24.00 and the exercise price of the option and (ii) the quotient of the total number of shares of the company s common stock subject to such option, divided by $3.75. The exercise price of these rollover stock options was adjusted to $1.25 per share. The rollover stock options are subject to the terms of the original option agreements with the company, except that in the event of a change of control of the company, the treatment of the rollover stock options upon such transaction will be determined in accordance with the terms of the Stock Incentive Plan.

Change of Control Agreements

Messrs. Nugent, Passarello and Kheirolomoom each entered into a change of control agreement with us. Under the terms of these agreements, in the event of a change of control of the company, if the executive officer s employment is involuntarily terminated without cause or if the executive officer resigns for good reason within twelve months after consummation of a change of control of the company, the executive officer will be entitled to receive the following severance benefits: (i) continuation of base salary for one year following termination, payable over the one-year period in accordance with the company s normal payroll practices; (ii) 100% of the executive officer s target bonus, payable within forty-five days following the applicable fiscal year; (iii) a pro-rated amount of the executive officer s target bonus based upon the number of days that have elapsed in the fiscal year as of the termination date, payable on the first payroll date following the effective date of a general release of claims by the executive officer; and (iv) payment of health coverage premiums for the one-year salary continuation period. To receive these change of control benefits, the executive must execute a general release of claims in favor of the surviving company and its affiliates and comply with various restrictive covenants during the applicable severance period, including non-disparagement, non-compete and non-solicitation covenants. The non-competition, non-solicitation and non-disparagement covenants continue for the one-year salary continuation period. The confidentiality covenant is not limited in duration. If the executive officer is a resident of California, 50% of the base salary continuation payments will be paid as consideration for the executive officer s continued compliance with the non-compete covenant over the duration of the covenant. Mr. Nugent s change of control agreement expired upon the termination of his employment with us.

For a description of change of control arrangements related to stock options and restricted stock units awarded to our Named Executive Officers, see *Stock Incentive Plan* above.

Other Benefits

We offer a variety of health and welfare programs to all eligible employees, including our executive officers. Our executive officers, including our Named Executive Officers, are generally eligible for the same benefit programs on the same basis as the rest of our employees, including medical and dental care coverage, life

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insurance coverage, short- and long-term disability and a 401(k) plan. Our 401(k) plan provides for a matching contribution equal to 30% of the first 6% of contributions made by eligible employees. We do not provide perquisites as part of our executive compensation program.

Director Compensation

During fiscal year 2013, none of our non-executive directors other than Ms. Hackenson and Messrs. Crandall and Davenport received any compensation for services as a director. Mr. Troxel received compensation and benefits as an employee for providing technical services related to the support of our mainframe software products. Mr. Davenport earned a consulting fee of $25,000 for providing advisory services to us during the fourth quarter of fiscal year 2013. For a discussion regarding director compensation, see Item 10, *Directors, Executive Officers and Corporate Governance Director Compensation.* The following table contains compensation earned by these directors during the fiscal year ended January 31, 2013:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Option Awards (2) ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Directors:							
L. Dale Crandall	$ 55,000	$ 34,800	$ 18,078				$ 107,878
Timothy Davenport (3)	$ 52,500	$ 34,800	$ 18,117			$ 25,000	$ 130,417
Elizabeth Hackenson	$ 52,500	$ 34,800	$ 18,117				$ 105,417
Douglas Troxel (4)	$ 25,000					$ 20,638	$ 45,638

(1) On December 3, 2012, Messrs. Crandall and Davenport, and Ms. Hackenson, were each awarded 10,000 restricted stock units pursuant to our Stock Incentive Plan. The stock value listed in this column represents the fair market value of the Company s stock at $3.48 per share as of the date of the grant. The restricted stock units will vest in full on the third anniversary of the date of the award.

(2) On August 22, 2012, Mr. Davenport and Ms. Hackenson were each granted a time-based stock option for 15,000 shares at an exercise price of $3.48 per share, providing for the vesting of all shares on the first anniversary of the date of grant. On December 3, 2012, Mr. Crandall was granted a time-based stock option for 15,000 shares at an exercise price of $3.48 per share, providing for the vesting of all shares on the first anniversary of the date of grant. The stock options will expire ten years from the date of grant. These grants represent annual stock option grants pursuant to the company s independent director compensation program. Amounts reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. See Note 9 to the company s consolidated financial statements for the weighted-average assumptions used for stock-based compensation.

(3) Mr. Davenport earned a consulting fee of $25,000 for providing advisory services to us during the fourth quarter of fiscal year 2013. Mr. Davenport is also entitled to reimbursement for reasonable travel-related expenses incurred while performing these services.

(4) Mr. Troxel received a base salary of $25,000 for providing technical services related to the development and support of our mainframe software products, reimbursement of life insurance premiums in the amount of $20,085, inclusive of an income tax gross up, and matching 401(k) contributions.

Compensation Committee Interlocks and Insider Participation

Our compensation committee is comprised of Messrs. Morgenfeld and Troxel, who were appointed to the compensation committee in February 2009 and May 2006, respectively. George Kadifa served as a member and chair of our compensation committee from February 2012 until his resignation as a director and chairman of our board of directors in May 2012. Mr. Troxel served as our Chief Technology Officer until the completion of the merger in March 2006 and continues to provide technical services related to the development and support of our mainframe software products. During fiscal year 2013, none of our executive officers served as members of the compensation committee

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(or other board committee performing equivalent functions or, in the absence of any such committee, the board of directors) of any entity that had one or more executive officers who served on our board of directors or compensation committee. As a result, there are no compensation committee interlocks and no insider participation in compensation decisions that are required to be reported under the rules and regulations of the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table contains information as of January 31, 2013 with respect to equity compensation plans under which shares of the company s common stock are authorized for issuance:

Plan Category	(A) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	(B) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (1)	(C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))
Equity compensation plans approved by security holders	8,244,011	$ 3.02	7,612,156
Equity compensation plans not approved by security holders			
Total	8,244,011		7,612,156

(1) At the time of the merger, certain management participants elected to roll over stock options to acquire 3,946,529 shares under equity compensation plans that were in effect immediately prior to the merger. The company will not make future grants or awards under these earlier plans. The number of shares to be issued upon the exercise of rollover stock options outstanding as of January 31, 2013 and the weighted average exercise price of these rollover stock options are included in Columns A and B. For additional information regarding rollover stock options, see Item 11, *Executive Compensation Employment Agreements and Compensation Arrangements Rollover Stock Options.*

Beneficial Ownership

The table below sets forth information regarding the estimated beneficial ownership of the shares of common stock of our company as of March 29, 2013. The table sets forth the number of shares beneficially owned, and the percentage ownership, for:

- each person that beneficially owns 5% or more of our common stock;
- each of our directors;
- each of our Named Executive Officers; and
- all of the directors and executive officers of the company as a group.

Following the merger, all of our issued and outstanding capital stock is held by the Silver Lake investors, the Troxel investors and certain management participants. All members of our board of directors who are affiliated with Silver Lake may be deemed to beneficially own shares owned by the investment funds affiliated with Silver Lake. Each such individual disclaims beneficial ownership of any such shares.

Following the merger, the Silver Lake funds (as defined in footnote (2) to the table below) are able to control all actions by our board of directors by virtue of their being able to appoint a majority of our directors, their rights under the stockholders agreement and their beneficial ownership of the only authorized and outstanding share of series A preferred stock to be issued in connection with the merger. Silver Lake Partners II, L.P., one of the Silver Lake funds, holds the one share of series A preferred stock, which ranks senior to our common stock as to rights of payment upon liquidation. This is the only outstanding share of series A preferred stock of the surviving corporation following the completion of the merger. The share of series A preferred stock is not entitled to receive or participate in any dividends. The holder of the series A preferred stock, voting as a separate class, has the right to elect one director for each of Serena and the surviving corporation, and the director designated by the holder of the series A preferred stock is entitled at any meeting of the board of directors to exercise one vote more than all votes entitled to be cast by all other directors at such time.

Except as otherwise noted below, the address for each person listed on the table is c/o Serena Software, Inc., 1850 Gateway Drive, 4th Floor, San Mateo, California 94404. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Beneficial ownership is determined in accordance with the rules that generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares subject to stock options held by that person that were exercisable as of March 29, 2013 or will become exercisable within 60 days after such date are deemed outstanding, although the shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

	Shares of Common Stock Beneficially Owned (1)	
Name of Beneficial Owner	**Number**	**Percent**
Silver Lake funds (2)	66,100,000	66.7%
Douglas D. Troxel (3) (director and former executive officer)	30,825,780	31.31%
L. Dale Crandall (4) (director)	125,000	*
Timothy Davenport (5) (director)	110,000	*
Elizabeth Hackenson (6) (director)	135,000	*
Todd Morgenfeld (7) (chairman of the board and director)	66,100,000	66.7%
Gregory Hughes (8) (executive officer and director)	66,100,000	66.7%
Joseph Passarello (9) (executive officer)	91,665	*
Ali Kheirolomoom (10) (executive officer)	162,153	*
John Nugent (11) (former executive officer)	1,337,451	1.3%
All directors and executive officers as a group (eleven persons)	99,426,990	99.7%

* less than 1.0%

(1) Percentage ownership is based on 99,146,777 shares of common stock outstanding as of March 29, 2013.

(2) Includes (i) 52,441,064 shares of common stock held by Silver Lake Partners II, L.P. (SLP II), (ii) 158,936 shares of common stock held by Silver Lake Technology Investors II, L.P. (SLTI II) and (iii) 13,500,000 shares of common stock held by Serena Co-Invest Partners, L.P. (Serena Co-Invest and, together with SLP II and SLTI II, the Silver Lake funds). SLP II is also the holder of the sole outstanding share of series A preferred stock, which has preferential voting and liquidation rights, as discussed above. Silver Lake Technology Associates II, L.L.C. (SLTA II) is the general partner of each of the Silver Lake funds. The address for each of the entities listed in this footnote is c/o Silver Lake Partners, 2775 Sand Hill Road, Suite 100, Menlo Park, California 94025.

(3) Includes (i) 30,005,780 shares of common stock held by Mr. Troxel as trustee of the Douglas D. Troxel Living Trust and (ii) 820,000 shares of common stock held by Mr. Troxel as trustee of the Change Happens Foundation. Mr. Troxel has the power to vote and dispose of the Change Happens Foundation shares. The address for each of the entities listed in this footnote is c/o Serena Software, Inc., 1850 Gateway Drive, 4th Floor, San Mateo, California 94404.

(4) Includes 100,000 shares of common stock issuable pursuant to stock options that are exercisable or that will become exercisable within 60 days after March 29, 2013.
(5) Includes 85,000 shares of common stock issuable pursuant to stock options that are exercisable or that will become exercisable within 60 days after March 29, 2013.
(6) Includes 110,000 shares of common stock issuable pursuant to stock options that are exercisable or that will become exercisable within 60 days after March 29, 2013.
(7) Mr. Morgenfeld is a director of SLTA II. Amounts disclosed for Mr. Morgenfeld are also included above in the amounts disclosed in the table next to Silver Lake funds. Mr. Morgenfeld disclaims beneficial ownership in any shares owned directly or indirectly by the Silver Lake funds.
(8) Mr. Hughes is a director of SLTA II. Amounts disclosed for Mr. Hughes are also included above in the amounts disclosed in the table next to Silver Lake funds. Mr. Hughes disclaims beneficial ownership in any shares owned directly or indirectly by the Silver Lake funds.
(9) Includes 91,665 shares of common stock issuable pursuant to stock options that are exercisable or that will become exercisable within 60 days after March 29, 2013.
(10) Includes 123,293 shares of common stock issuable pursuant to stock options that are exercisable or that will become exercisable within 60 days after March 29, 2013.
(11) Includes 1,107,131 shares of common stock issuable pursuant to stock options that are exercisable through April 10, 2013.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Policies and Procedures for Review and Approval of Related Party Transactions

Our board of directors has adopted a written policy and related procedures for the review, approval and ratification of transactions with related persons. The policy requires our audit committee to review and approve or ratify any transaction with a related person, as such term is defined in the instructions to Regulation S-K, Item 404(a), where the company is a party or participant, the amount involved is greater than $120,000, and a related person has a direct or indirect material interest. Management is responsible for maintaining and communicating a list of related persons to key employees with responsibility over transactions, and these employees are required to report potential related party transactions to our General Counsel for preliminary review. If our General Counsel determines that the transaction is a related party transaction requiring review by our audit committee, the General Counsel will report the details of the transaction to our audit committee for review and approval. Our audit committee will also review at each regularly scheduled meeting a report prepared by management which identifies all transactions with related persons during the most recent fiscal quarter.

Certain Relationships and Related Transactions

Since February 1, 2012, there has not been, nor is there currently planned, any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeds $120,000 and in which any director, executive officer or holder of more than 5% of our capital stock or any member of such persons immediate families had or will have a direct or indirect material interest, other than agreements and transactions described under Item 11, *Executive Compensation Employment Agreements and Compensation Arrangements* and the agreement described under *Silver Lake Management Agreement* and *Letter Agreement Regarding Advancement and Indemnification Rights* below.

Silver Lake Management Agreement

In connection with the signing of the merger agreement with Spyglass Merger Corp., Spyglass Merger Corp. and Silver Lake Management Company, LLC, or the manager, entered into a management agreement pursuant to which the manager will provide consulting and management advisory services to us. Silver Lake Management Company, LLC is an affiliate of the Silver Lake investors. Pursuant to this agreement, the manager received a transaction fee in the amount of $10.0 million payable at completion of the acquisition transaction and will receive an annual fee thereafter of $1.0 million, payable quarterly in advance, and fees as mutually agreed between the manager and the company in connection with future financing, acquisition, disposition and change of control transactions involving the company or its subsidiaries. The manager or its affiliates also received reimbursement for their out-of-pocket expenses incurred by them in connection with the acquisition transaction prior to the completion of the acquisition transaction and will receive reimbursements for their out-of-pocket expenses in connection with the provision of services pursuant to the management agreement. The management agreement also contains customary exculpation and indemnification provisions in favor of the manager and its af